

Containers—the hottest thing in freight shipping

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BUSINESS WEEK

A McGRAW-HILL PUBLICATION

FIFTY CENTS

MAY 14, 1960

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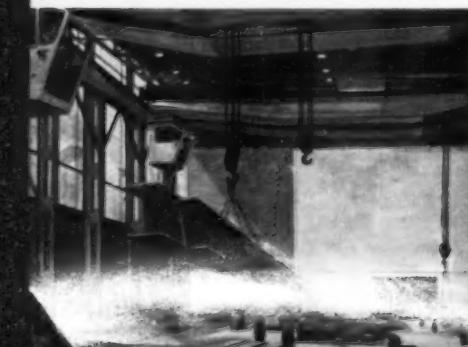
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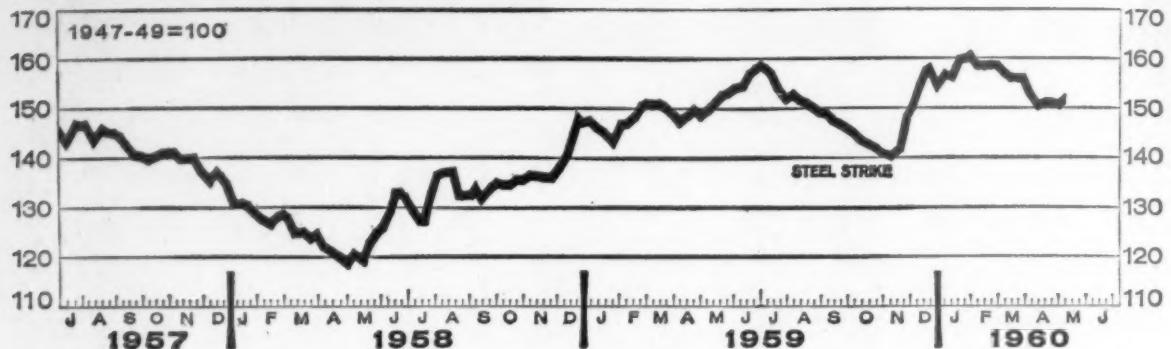
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PRODUCTION

	1953-55 Average	Year Ago	Month Ago	Week Ago	Latest Week
Steel ingot (thous. of tons)	2,032	2,631	2,225	2,137 ^r	2,102
Automobiles	125,553	134,763	133,460	135,515 ^r	142,874
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.)	\$52,412	\$64,337	\$66,300	\$90,820	\$90,320
Electric power (millions of kilowatt-hours)	10,819	12,659	13,494	13,300	13,139
Crude oil and condensate (daily av., thous. of bbl.)	6,536	7,200	7,028	7,014	6,771
Bituminous coal (daily av., thous. of tons)	1,455	1,394	1,389	1,433 ^r	1,383
Paperboard (tons)	247,488	313,894	316,815	307,102	312,547

TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars)	70	67	61	60	62
Carloadings: all others (daily av., thous. of cars)	47	46	39	45	46
Department store sales index (1947-49 = 100, not seasonally adjusted)	121	141	143	146	152
Business failures (Dun & Bradstreet, number)	198	265	333	325	327

PRICES

Industrial raw materials, daily index (BLS, 1947-49 = 100)	89.2	91.9	93.0	91.9	92.6
Foodstuffs, daily index (BLS, 1947-49 = 100)	90.5	82.2	76.5	76.6	76.9
Print cloth (spot and nearby, yd.)	19.8¢	18.8¢	20.5¢	20.7¢	20.2¢
Finished steel, index (BLS, 1947-49 = 100)	143.9	186.7	186.8	186.8	186.8
Scrap steel composite (Iron Age, ton)	\$36.10	\$33.83	\$33.50	\$33.17	\$33.17
Copper (electrolytic, delivered price, E&MJ, lb.)	32.394¢	31.575¢	33.000¢	33.000¢	33.000¢
Aluminum, primary pig (U. S. del., E&MJ, lb.)	20.6¢	24.7¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, lb.)	†	#	24.99¢	25.04¢	25.01¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	\$2.34	\$2.08	\$2.12	\$2.10	\$2.07
Cotton, daily price (middling, 1 in., 14 designated markets, lb.)	34.57¢	34.62¢	32.09¢	32.16¢	32.16¢
Wool tops (Boston, lb.)	\$1.96	\$1.79	\$1.73	\$1.75	\$1.74

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10)	31.64	57.48	56.34	54.59	54.68
Medium grade corporate bond yield (Baa issues, Moody's)	3.59%	4.93%	5.18%	5.25%	5.29%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate)	2-2 1/2%	3 1/2%	4%	4 1/4%	4 1/4%

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks	††	60,431	58,797	60,702	59,002
Total loans and investments, reporting member banks	††	102,117	100,849	103,055	103,029
Commercial, industrial, and agricultural loans, reporting member banks	††	32,522	31,787	31,841	31,910
U. S. gov't guaranteed obligations held, reporting member banks	††	31,484	24,361	25,991	25,915
Total federal reserve credit outstanding	26,424	27,424	26,950	27,234	27,199

MONTHLY FIGURES OF THE WEEK

	1953-55 Average	Year Ago	Month Ago	Latest Month
Employment (in millions)	April	62.2	65.0	64.3
Unemployment (in millions)	April	2.5	3.6	4.2
Average weekly earnings in manufacturing	April	\$73.36	\$89.87	\$90.91
Retail sales (seasonally adjusted, in billions)	April	\$14.5	\$18.0	\$18.3
Imports (in millions)	March	\$902	\$1,295	\$1,288

[†] No quote.

^r Preliminary, week ended May 7, 1960.

† Not available.

^r Revised.

† Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Leonard Nadel; 23—WW; 24—H. Grant Compton; 25—UPI; 27—(top) Aviation Week, (bot.) WW; 29—Sovfoto; 30—WW; 31—(left top) UPI, (right top) WW, (middle and bottom) UPI; 52-53—Ed Nano; 58—Archie Lieberman; 111—Building Service Employees Int'l Union; 150—McGraw-Hill World News; 160-161—Allan Gould; 166, 167, 168, 170, 172—Leonard Nadel.

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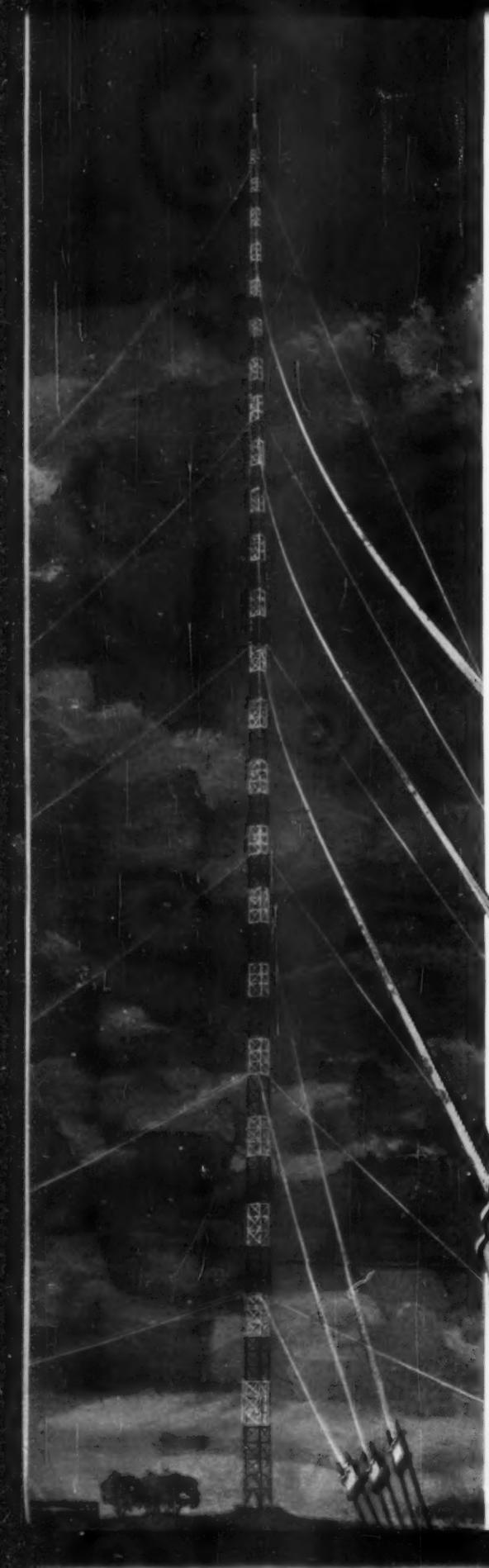
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ANOTHER DRESSER BREAKTHROUGH, WORLD'S TALLEST MAN-MADE STRUCTURE

Soon, Television Station KFVS-TV will beam programs from atop this steel tower soaring 1,676 feet into the sky near Cape Girardeau, Missouri—the tallest structure ever built by man! Taller than the Empire State Building by 204 feet, KFVS-TV's new tower will beam a signal to an enlarged market area of 31,800 square miles. A service elevator will take 25 minutes to reach the top—the longest elevator ride in the world!

This is the latest in a long series of record-breaking tall television towers designed and built by Dresser-Ideco Company, Columbus, Ohio, one of the Dresser Industries. Builder of more than half of the Nation's television towers taller than 1,000 feet, Dresser-Ideco has also constructed hundreds of smaller towers for TV, radio and micro-wave communication. In addition, Dresser-Ideco designs and constructs aircraft hangars of many types, buildings for commerce and industry, and various antenna towers and structures for national defense.

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READERS REPORT

Congrats

Dear Sir:

Your Mar. 26, 1960, issue was one of the most informative that I have ever read. I congratulate you on the quality of the articles on Semiconductors, South Carolina, and Mr. Brisch.

A. E. PELTOSALO

GENERAL MANAGER
ELECTRONIC SPECIALTY CAPACITOR
PRODUCT SECTION
GENERAL ELECTRIC CO.
IRMO, S. C.

A Fine Analysis

Dear Sir:

I have just read your editorial entitled *A Challenge That Can't Be Ducked* [BW—Apr. 16'60, p184]. I would like to compliment you and your staff on the positive and constructive approach which you are taking in regard to health insurance for the aged. I was particularly impressed with your analysis related to the lack of feasibility of a "voluntary" and heavily subsidized program.

It is particularly encouraging to me to see leaders in the business field taking a positive and constructive approach to pressing social problems. Your editorial in the last issue represents one of the finest expressions of community leadership I have seen for some time.

HAROLD E. SIMMONS

SUPT., SOCIAL SERVICE DIV.
DEPT. OF PUBLIC HEALTH &
WELFARE
COUNTY OF SAN MATEO, CALIF.

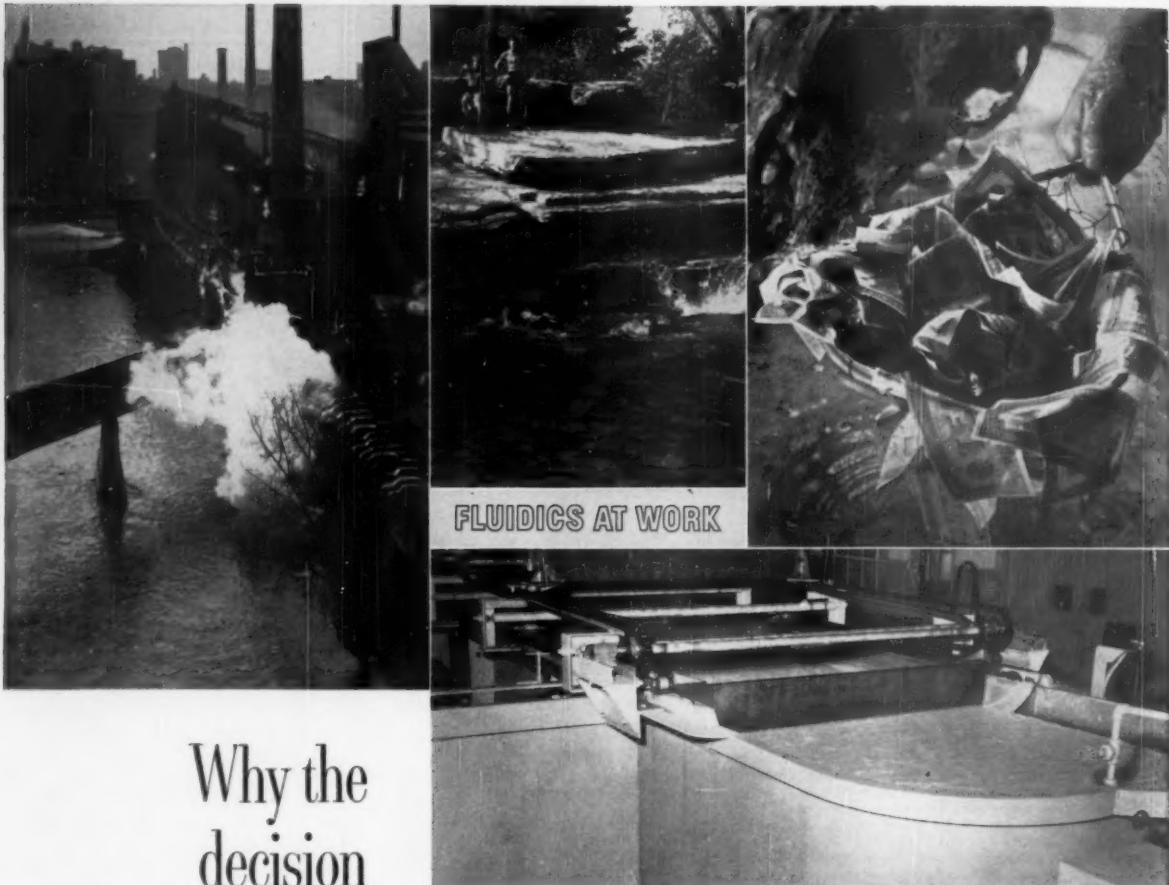
No Extras

Dear Sir:

You were kind enough to show in your magazine [BW—Apr. 23'60, p26] the NSU Prinz 30 exhibited by us at the International Automobile Show. You quote a price of \$1,607. The Prinz 30 has a New York POE price of \$1,498. The model shown has extras that bring its price to \$1,607. A standard NSU Prinz is sold at \$1,398 POE New York.

You also showed what you describe as an Isetta from Germany at a price of \$1,048. The car actually is a BMW (Isetta) "600" and retails in New York at \$1,398.

FRED R. OPPENHEIMER
PRESIDENT
FADEX COMMERCIAL CORP.
NEW YORK, N. Y.



Why the decision about industrial wastes belongs on management's desk

Disposing of industrial wastes is no longer a simple matter of dumping unwanted materials into a nearby stream. Rather, it has become a problem that touches many phases of business.

The reasons are simple: Pressures (legal and social) often make dumping impossible. Equally important, valuable materials often go down the drain with wastes.

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the Colloidair not only reclaims usable fibers, but also renders waste "white water" so clear that it is re-used in process equipment and cleaning.

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Waste treatment is only one phase of Fluidics—the integrated Pfaudler Permutit program for helping industries handle liquids and gases more profitably.

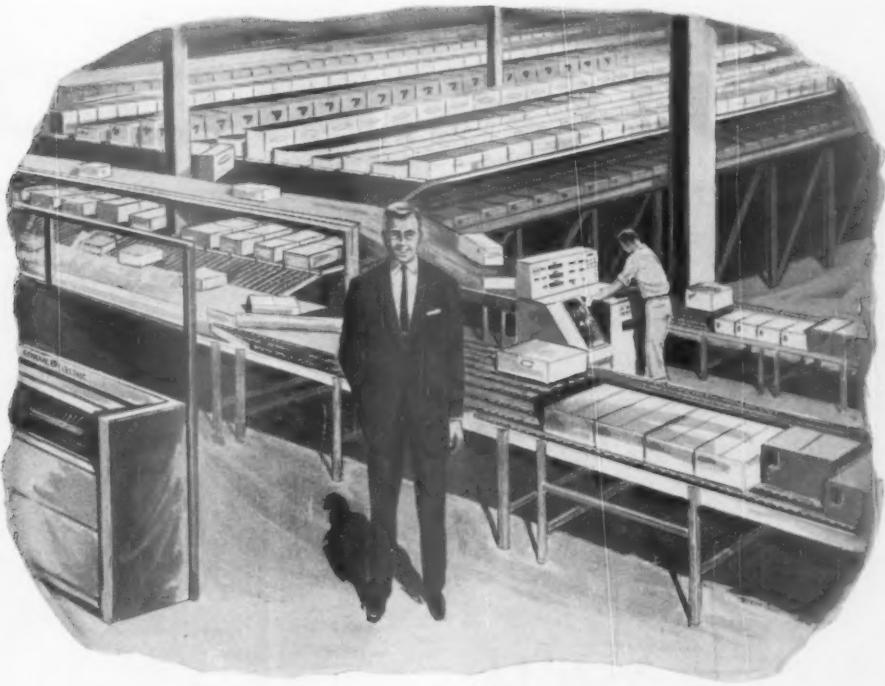
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higher profit

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For example, take the warehousing function common to packaged-goods producers. Latest General Electric systems for such operations provide complete automation, from *identification* of each unit as it reaches the warehouse, through *dispatching* to storage, to automatic *order picking*. In addition, any desired degree of automatic control of inventory, billing, and production can be built-in—to maximize efficiency and savings.

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General Electric is ready to work now with your engineers and machinery suppliers to apply *Automated Material Control* to *your* operations. As a first step in converting present costs to higher profits, talk with your G-E Apparatus Sales Engineer. And write for new management brochure *Automation and You . . . and General Electric* describing our broad industrial-automation abilities. General Electric Co., Schenectady, N. Y.

696-04

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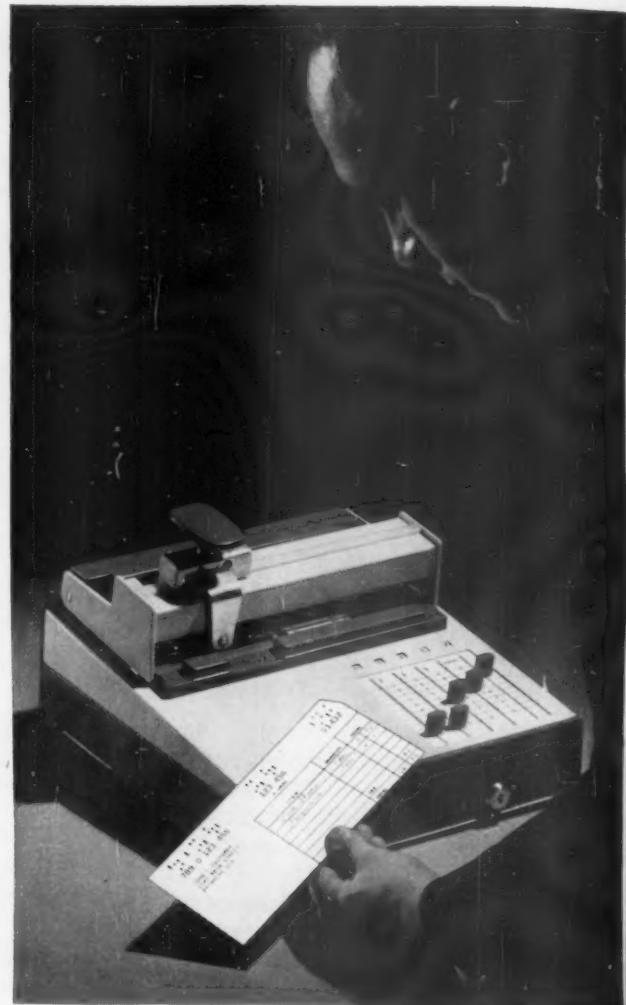
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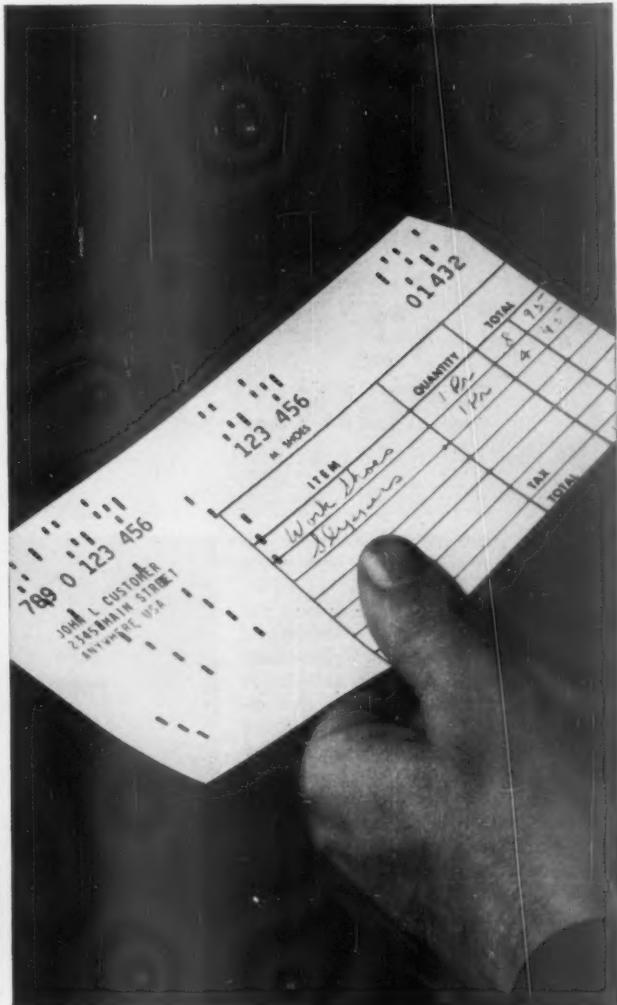
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PROCESSING



2 to centralized processing...

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**Cutting costs
is our business**

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CHEMICALS:

*What's
making news?*

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AUTOMOTIVE RESEARCH BRINGS ENGINE COOLING TO A BOIL

On the premiere of the new night-time television series, THE DOW HOUR OF GREAT MYSTERIES, and in newspapers and national magazines, The Dow Chemical Company introduced to the public DOWGARD®—a revolutionary advance in cooling system fluids. A product of long-range automotive research by Dow, DOWGARD is the first cooling system fluid to provide year 'round protection from rust, corrosion, freezing and overheating—from 40°F. below to 240°F. above zero. Installed by an authorized service dealer, DOWGARD has a service life of one entire year. You never have to add antifreeze, rust inhibitors or water pump lubricants during this period. And, this is just the beginning.

TOMORROW'S COOLANT. Still in the research stage is another major advance from the Dow Automotive Chemicals Laboratories—an ebullient cooling system that cools by boiling! Ebullient cooling systems in passenger cars can offer many advantages to the motorist. With ebullient cooling, more *evenly* cooled engines may be designed. Thermostats and water pumps can be eliminated in an ebullient system.

HEAT EATER. The idea of cooling an engine by transforming a liquid into vapor is neither new nor novel. Ebullient cooling, as it is called, uses the technique of boiling to "eat up" more heat faster than liquid cooling.

Although ebullient cooling for vehicles is still more in the laboratory than on the road, its general use is a definite possibility. ET-373 is a practical and economical fluid for use with ebullient



EBULLIENT COOLING WITH ET-373 promises more evenly cooled engines with fewer hot spots.

systems in passenger cars and trucks.

FASTER STOPS. Equally important as cooling a car is stopping it. Brake fluids—in fact, the entire braking and hydraulic system—have been a subject of interest to Dow research for many years. Heavier cars, greater horsepower, and smaller wheels have placed increased demands upon the brake systems of modern automobiles. To meet this challenge, Dow offers a variety of brake fluids which conform to and exceed the SAE (Society of Automotive Engineers) and Federal specifications.

Dow research chemists are cooperating with automotive engineers in raising the boiling temperatures of brake fluids to fulfill future braking requirements. With the high-boiling formulations Dow has already developed, the automotive engineer can build more efficient braking systems into the models that will grace showrooms for several years to come.

POWER IN SMALL PACKAGES. In another area of Dow's Automotive Chemicals Laboratories, the spotlight is on power fluids. Peering into their crystal ball, automotive designers foresee a number of advances in transmission and torque converter design. One, for example, is a transmission—no larger than present ones—that can deliver much more power to the driving wheels.

Anticipating new design innovations like this, Dow researchers are working on power fluids that can do a big job in a small space. These new fluids must be heavier, yet have the viscosity and lubricating properties of today's fluids. Where conventional oils do not work satisfactorily, Dow development engineers are ready to apply synthetic lubricants with improved properties.

A prime example of Dow research in automotive power fluids is work under way to speed the development of central hydraulic fluids in cooperation with the requirements of the automotive industry—a good example of the chemical and automotive industries working together to develop a better automobile for the motoring public.

ONE BIG FAMILY. In addition to specialized automotive products such as coolants, brake and power fluids, Dow



TEST TRACKS are kept ice-free in winter and dust-free in summer with hard-working Dow calcium chloride products.

is also a leading producer of chemical intermediates for the transportation industry. Polyglycols, for example, are widely used as lubricants in hydraulic



NEW BRAKE FLUID FORMULATIONS are under constant surveillance in Dow's Automotive Chemicals Laboratories.

fluids. Another family—the glycol ethers—serve admirably in applications ranging from paints, lacquers and varnishes, to brake fluids.

Chemistry's contributions to the automotive industry do not stop with cars themselves . . .

Dow's extensive line of industrial solvents, for example, are widely used by auto makers to clean metal parts and equipment, strip paint and spot-clean upholstery.

Calcium chloride is often used to keep ice and dust off test tracks and parking lots.

Dowtherm® A is a heat transfer agent that operates with far less pressure than steam. It provides pinpoint temperature control in the 350° to 750 F. temperature range in many types of processing operations, such as the manufacture of automotive finishes and the heating of sand mold cores.

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NAME YOUR INDUSTRY! Dow's orientation to the chemical requirements of the automotive industry with products, service and research is repeated over and over again in a wide range of industries. These activities are outlined in individual booklets on the automotive, mining, paint and petroleum industries. For a copy, write to us and name your industry. For further information about Dow activities in other industries, contact the Dow Sales office nearest you or write THE DOW CHEMICAL COMPANY, Midland, Michigan, Chemicals Merchandising Dept. 304AF5-14.

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No midsummer slump! Year-around comfort keeps production high—and TRANE Air Conditioning helps keep costs in line, gives a better

return on the air conditioning investment. Induction UniTrane unit shown fits under low windows, blends with modern interiors.

Trane changes climates to order in buses and trains, ships and planes; heats and cools factories and schools, hotels and homes. For human comfort or industrial processing—for any air condition—turn to TRANE!

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Air Conditioning Cool with steam or hot water! This new TRANE Absorption Cold Generator uses low-cost steam or hot water to provide a dependable source of chilled water for air conditioning.

at low cost Trane Air Conditioning

Gives each occupied area its own climate—and paces itself to provide just the amount of cooling needed!

HERE'S THRIFTY air conditioning for any multi-room, multi-story building—the UniTrane system of central air conditioning that's designed to provide comfort for occupants, thrift for owners.

UniTrane units cool in summer, heat in winter, provide filtered, tempered air in every season. Individual room conditions may be varied by the occupant—without affecting the units in other rooms. Chilled water for the system is supplied by a TRANE refrigeration machine that paces itself to supply just the cooling needed—

with corresponding power savings.

You can create a "high production climate" for your office building, store or plant with TRANE job-matched equipment—whether you are building or remodeling. TRANE leadership in all phases of air conditioning, heating and ventilating assures you of superior design, peak performance, with matched equipment for any job.

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Heating Year-around comfort in one compact package! This TRANE Climate Changer heats and cools homes, stores, offices. Gas or oil-fired models in all types and sizes. Designed for efficient operation.



Ventilating New TRANE Unit Ventilators are trim, compact—provide up to 14 sq. ft. of extra space in average size classroom. Now available with complete, year-around air conditioning.



Heat Transfer Oxygen production, vital to defense and industry is helped by TRANE Brazed Aluminum Heat Exchangers. Operating temperatures are often as low as 300° below zero!

Maine Public Service Company Installs ELECTRO-MOTIVE PEAKING AND RESERVE PLANT

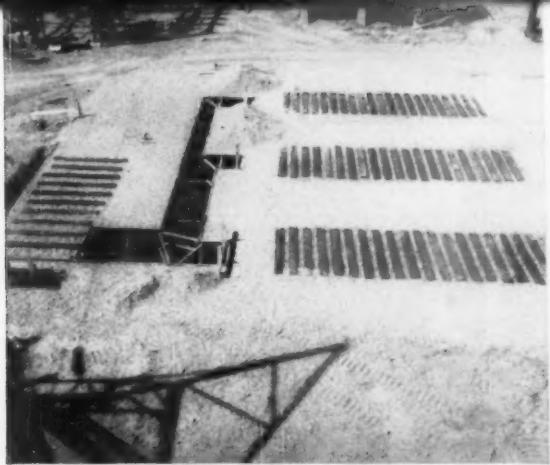
Load study determines need for peaking power.

The decision by Maine Public Service Company to install Electro-Motive peaking equipment resulted from a systems study which pointed up the need for additional generating capacity to handle increased peak demands. An Electro-Motive 4200 KW plant was selected for these reasons:

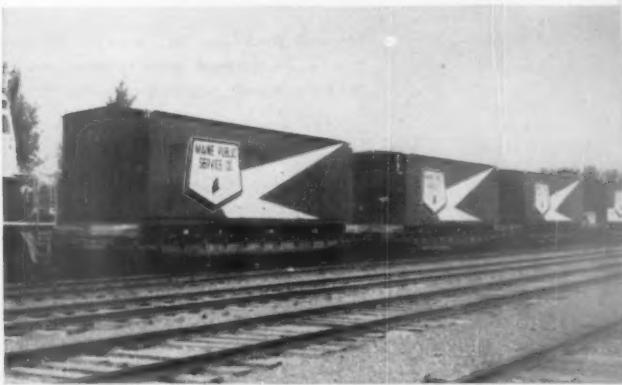
- **Low investment.** On the Maine Public Service System, the Electro-Motive plant has an annual fixed charge of less than \$17 per KW per year, compared with \$28 per KW per year for alternative equipment. Thus, the Electro-Motive plant provides an economical solution to short duration peak demands.
- **Unattended, remote operation.** The Maine Public Service plant is operated by push-button control from the company's central dispatching headquarters in Presque Isle, four miles from the substation where the plant is located. The plant comes on line and shuts down automatically on signal from the dispatcher.
- **Quick start.** The plant comes on line and up to full load *in 60 seconds* on quick start, or 90 seconds on a normal start. Preparation time not required for peak. Immersion oil heaters keep engines ready for instant starting. Because of this, the plant qualifies as a reliable source of power for systems reserve and area protection.

Portable components simplify installation

Each of the components in the Electro-Motive plant is contained in a sound-deadened, weather-proofed housing. This unitized, self-contained design permitted installation costs of under \$17 per KW for Maine Public Service Company. (Cost included shipping, site preparation, fuel tank, material and labor for electrical connections.) How the plant was installed is demonstrated in this sequence of photos:



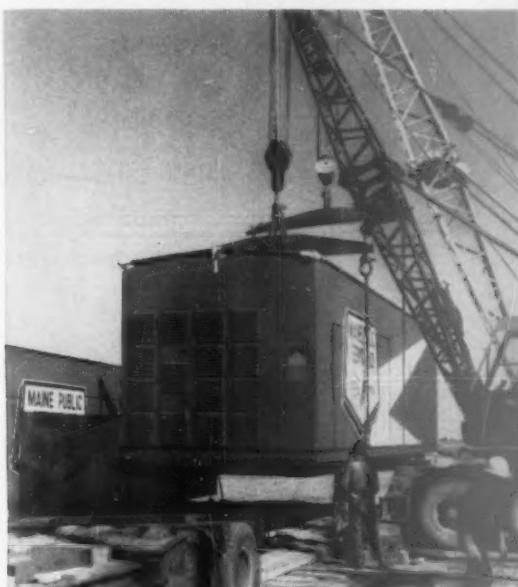
1 Preparation of site at the station began before plant arrived. Wood ties are set in crushed rock fill as foundation for skid-mounted components. Cable trough provides means for connecting cables and service lines. Note absence of concrete or other costly foundation work.



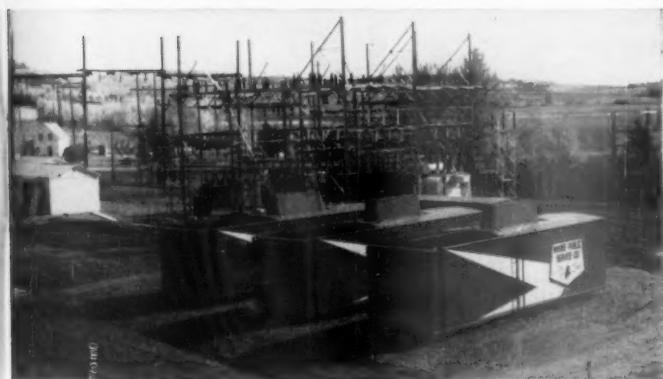
2 Plant was shipped by rail to Presque Isle from Electro-Motive Division in LaGrange, Illinois. Components are designed to ship on any standard flat car and meet standard railway clearance requirements.



3 Truck trailers were used to transport the components to the installation site at Flo's Inn station, four miles from Presque Isle. Components were styled in attractive green and white colors—caused favorable attention as they passed through the city.



4 At the site, cranes unloaded components onto the foundation ties. Engine-generator sets, balanced and vibration-free, eliminate anchoring or tie-down. Located right at the step-down substation serving the load, the plant's full capacity can be used where needed. This eliminates line loss which would occur if it were placed at the central station.



5 Completed installation three weeks later. The following week, after test and adjustment, the plant was qualified for commercial service for an average two hours a day. If desired, it may be moved to a new site as quickly as it was installed. A fourth generating unit may be added to boost capacity at low incremental cost.

For an analysis of the savings that can be derived from Electro-Motive peaking equipment on your system, contact your Electro-Motive representative.



ELECTRO-MOTIVE DIVISION GENERAL MOTORS La Grange, Illinois

Sales-engineering offices: Chicago, New York, St. Louis, San Francisco

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New, Fully Interchangeable Fruehauf Volume★Vans!

Complete versatility in weight and price. Sixteen separate and distinct options that give you exactly the Volume★Van you need for your operation. Advantages that you get *only* with Fruehauf!

Check the advantages of the many revolutionary new features of the Volume★Van . . . exclusive, leakproof one-piece aluminum roof . . . low silhouette coupler . . . one rail design for leaf spring, air ride, wide-spread or adjustable underconstruction . . . and the extremely light weight and high capacity of *all* Fruehauf Volume★Van units.

We urge you to check Fruehauf—find out why the Volume★Van line is the highest capacity, biggest profit maker in the entire hauling industry! See the new 1960 Volume★Van at your Fruehauf dealer.

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NATIONAL REJECTORS -
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IN COIN HANDLING
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FOR 25 YEARS, since the very start of the vending industry, manufacturers and operators have learned to rely on National's vast

experience and nationwide coverage for help with their coin handling problems. They know that when they ask the man from National, service and assistance are prompt, capable and courteous.

You can count on this same service anytime . . . anywhere.

The trend toward vending will make it one of the busiest businesses of tomorrow. If you are considering entering this lucrative field, be sure to specify National Rejectors coin handling equipment.

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A report from Hercules Powder Company on the performance of ALTAIR

*The X248—named by NASA the Altair
—has been called upon 13 times to put
up a space vehicle and 13 times it has
done so. It has never failed.*

*The Altair is the most reliable and
most advanced solid propellant rocket
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HERE IS THE SCORE CARD:

Pioneer I, (Lunar Probe)	*	*	*
Javelin I			
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Vanguard III			
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Javelin III			
"Shot-Put" II			
Argo II			
"Shot-Put" III			
Pioneer V			
Tiros			
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Chemical Propulsion Division, Hercules Powder Company developed and produced the double-base solid propellant, high altitude rocket Altair at the Navy Bureau of Weapons-owned, Hercules-operated Allegany Ballistics Laboratory. The engine case is Spiralloy® continuous filament-wound, resin-bonded glass fiber made by Hercules' Young Development Division; it provides the highest strength-to-weight ratio of known materials, thus enabling a greater weight propellant or "more push per pound" in the finished rocket motor. The significance of this performance is obvious to all who are vitally concerned with the missile-rocket program.

Explosives Department
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HPCD-1

BUSINESS OUTLOOK

BUSINESS WEEK

MAY 14, 1960



If you were saying, "It has to be April!" then you hit it on the nose as far as retail trade and employment are concerned.

• Employment rose by about 1.9-million from March to April, the largest increase for any April in the postwar period.

• Retail trade in April set a record on a seasonally adjusted basis, and was bigger than any month but December however you look at it.

—•—
Last month's extraordinary gain in employment must be viewed in the light of bad weather in March which held back outdoor work and of the exact reverse situation at the time of the April count.

Nevertheless, this rise carried employment comfortably above 66-million, the highest level ever reported so early in any year and more than a million higher than at the same time last year.

The drop of half a million in unemployment failed, however, to carry this figure quite down to its level a year ago.

—•—
Retail volume was almost too good to be true—and that could be one reason why May feels just a little bit flat so far (page 34).

Volume of all types of establishments last month shot up to \$18.9-billion (seasonally adjusted), according to the Dept. of Commerce. On top of that, a recheck raised the March estimate by \$175-million (which left it only a shade under the biggest months of last year).

Indeed, these new figures turned a flat line into a rising one.

Admittedly, it is tough trying to make sense out of retail figures when Easter falls in March one year and in April the next. But, if you want simply to lump March and April, you get comparisons of 1960 over 1959 quite like those arrived at by means of seasonal adjustment.

On the basis of raw dollar figures for the two months, the year-to-year gain comes out at 5½%. (And that pulls the year to date better than 4% ahead of 1959.)

Stores handling softgoods scored the impressive gains in the combined figures for March and April, topping last year by 7½%.

Hardgoods, by comparison, look pretty drab. Their year-to-year improvement for the two months was only 1½%. But this hides the fact that autos and automotive products came alive smartly in March and April.

The hardgoods total is held back by a modest decline in lumber and hardware while furniture and appliances gained only slightly.

—•—
The consumer surely has been cast in the hero's role this year—little short of an Atlas holding up the whole economy.

But it was the very end of March before he began to act the part.

Then it became clear that new cars were selling more briskly, and forecasts of Easter sales began to brighten (BW—Apr. 9 '60, p19).

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
MAY 14, 1960

Now, with a good deal more to go on, the consumer is coming in for a fine round of applause (although, indeed, there is an occasional note of apprehension about how things will go from now on).

Take this sampling of what this month's bank letters are saying:

• **The Federal Reserve Bank of New York:** "Preliminary information for April suggests that the economy has begun to pull out of its weather-influenced doldrums (although the evidence continues mixed). Consumer purchasing, in particular, brought a breath of spring to businessmen.

"Automobile sales advanced smartly and department stores reported a record Easter season."

• **Morgan Guaranty Trust Co.:** "Events of the past month suggest that the underlying business situation is stronger and more resilient than it sometimes appeared to be during storm-ridden February and March. With the advent of seasonably warm spring weather, shoppers spent freely . . . Department stores showed good results for the Easter period, and indications are that buying momentum has continued since. Sales of new cars have picked up strongly . . ."

• **First National City Bank:** "The arrival of spring brought the expected upturn in trade as well as in all outdoor activities . . . The marked rise in retail sales in late March and early April lends plausibility to the feeling that bad weather was primarily responsible for disappointing business earlier. Easter sales, in fact, set a new record."

• **Northern Trust Co. (Chicago):** "Encouraging gains in retail sales of new cars and general merchandise, and evidence that business plans for stepping up capital outlays were largely unaffected by slower than anticipated first-quarter sales, have been important favorable aspects of the business news . . ."

• **Federal Reserve Bank of Chicago:** "The eventual arrival of spring-like weather toward the end of March and a brisk movement of Easter merchandise in the first half of April produced sales more in line with earlier expectations. Retailers and many other business analysts, always sensitive to indications of possible shifts in consumer spending, were quick to place a favorable interpretation on the pickup in sales."

But the bank warns: "If the recent rise in sales should prove temporary, it would be clear in retrospect that it was attributable to weather, the late Easter, and catching up on purchases postponed in the winter. Business prospects then would be due for a searching reappraisal."

— • —

This will come as no great surprise to anyone: **Construction was not one of the industries that turned upward in April** (nor is there any certainty that it will until after midyear).

Except for an upward jog in December and January, the value of work put in place has been declining since June of last year.

The serious trouble, of course, lies in residential building whose year-to-year lag has widened steadily until it was 15% last month.

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Only International offers so *many* models and so many places to get 'em *all* serviced!

INTERNATIONAL offers more models and, to give you the right truck for the job, more engine, axle and transmission options than any other truck manufacturer.

To maintain those trucks, the INTERNATIONAL Truck service organization has more than 5000 dealers and factory-owned branches and 12 mammoth parts depots . . . all to give you the right kind of service.

These two advantages are reason to see your INTERNATIONAL Dealer or Branch for your next truck.



America's biggest little delivery truck — the Metro-Mite.®

Tilt-cab models that are easily serviced. Diesel, gasoline or LPG power.



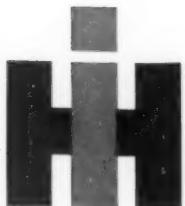
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Rugged six-wheel dump models



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GULF... AND THE REMARKABLE PROGRESS OF PETROCHEMICALS

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Petrochemicals have already given much to medicine. And the prospect of future contributions is inspiring. The petrochemical industry is young and modern in concept. But in spite of its youth, it is strong, vigorous, and bursting with product potential.

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Smashing defeat in West Virginia knocks Humphrey out of race. And for . . .

Kennedy: It's Almost Cinched

Sen. John F. Kennedy emerged from the West Virginia primary election this week with the Democratic Presidential nomination almost, but not quite, in his grasp.

From the mountain state where most of the party's old pros had expected—and hoped—that Kennedy's Presidential ambitions would be smashed, the young Massachusetts senator extracted a smashing triumph that sets him up more than ever as the man to beat—and a hard one to beat. The West Virginia result appears to have accomplished several things:

- Kennedy becomes the odds-on favorite to win the Democratic nomination at the Los Angeles Presidential convention in July.

- He finally eliminated Sen. Hubert H. Humphrey, never considered a really strong contender anyway, from the list of active Presidential aspirants. Humphrey will devote his efforts to win-

ning reelection as a senator from Minnesota.

- The twice-beaten Adlai E. Stevenson has had his chances of ever heading the Democratic ticket cut down sharply.

- **Narrowing the Field**—In effect, what had been a five-way race among Kennedy, Humphrey, Stevenson, and Sens. Stuart Symington and Lyndon Johnson now looks very much like a three-way race among Kennedy, Symington, and Johnson.

The West Virginia result earned Kennedy a great deal of political respect—something that his earlier primary triumphs, an unbroken but not unquestioned string, had failed to give him.

- **Lining Them Up**—This has a distinct bearing on the key question: Will Kennedy now be able to lock up the Presidential nomination in advance of the convention?

For example, Gov. G. Mennen

(Soapy) Williams of Michigan may now listen most attentively to Kennedy requests for Michigan commitments. A report, which does not seem outlandish, has persisted for some time that Kennedy would be inclined to appoint Williams as his Labor Secretary in a new Administration.

Along the same line, another key Kennedy target to be worked on intensively in advance of the convention is California. Gov. Pat Brown, a nominal favorite-son candidate at the head of the state's delegation, has been mentioned as a likely prospect for Interior Secretary—if he climbs aboard the Kennedy bandwagon early and if it rolls on to victory in July and again in the November general election.

- **The Week's Lesson**—These possibilities, involving large and pivotal blocs of votes in the nominating convention, are cited mainly to illustrate the prime benefit accruing to Kennedy from the



IN POOR HILL COUNTRY, where people might be expected to be bitter about unemployment, the millionaire Kennedy ran better than even his own aides had hoped.

West Virginia polling—a chance to begin tough political negotiations in the uncommitted states.

Kennedy, a Roman Catholic, demonstrated in West Virginia that he can win the support of Protestants. The state, with only 5% of its population Catholic, was hit by a wave of anti-Catholic literature, but Kennedy ran well ahead of Humphrey, his lone rival, in virtually every section.

Some observers think that, in the final analysis that will be made by the Democratic political professionals, almost equally important is Kennedy's demonstration of some intangible "way with the voters." His public image, if indeed it actually exists as a substantial factor, is compounded of several elements—a background of wealth, the crisp and clipped Boston accent, youth, good looks, and an authentic record as a naval war hero.

Almost any one of these factors except his war record could have been a serious political liability in West Virginia, particularly in the remote and poorer areas. The fact that the combination, instead of proving to be a liability, turned out to exert a magnetic effect on the voters will be examined in detail by the party pros.

I. Shadow of Indiana

Kennedy can and might still lose the nomination.

One big blot on his primary record does exist. And it will be seized on by party leaders who do not want him—whether because of his religion, his youth (he is two weeks shy of his 43rd birthday), or a suspicion that he is es-

sentially a political conservative masquerading as a liberal.

The blot, of course, is the outcome of the Indiana primary election on May 3. A couple of unknown opponents of Kennedy drew 80,000 votes, and the United Press-International ran an analysis that indicated 30,000 or more other Democrats failed to vote for any candidate in the primary.

These defections, representing a sizable percentage of Democrats who cast ballots, permitted Nixon to outpoll Kennedy in Indiana. Kennedy's critics suggest that the defections were based at least partly on anti-Catholicism. They conclude from this that the party would endanger its chances in November by nominating Kennedy.

II. Los Angeles Arithmetic

To defeat Kennedy in the battle for the nomination at Los Angeles, political professionals say the Johnson and Symington groups must be so unswerving that they can force proceedings through at least three or four ballots. They can do this only if (1) Kennedy's blitz fails to capture most of California's 81 votes, Michigan's 51, and those of other big states with favorite-son candidates and (2) that Humphrey and Stevenson supporters decide not to go to Kennedy, but drift instead into either the Symington or Johnson camps.

Nomination requires 761 votes, a simple majority of the 1,521 who will be present in Los Angeles. As of now, nobody has anywhere near that many. Actual commitments and claims get intermingled, but as of this week Kennedy was rated at about 500, Johnson at



LABOR VOTE was supposed to lean to Humphrey, but it didn't work out that way.

about the same figure or slightly higher. Symington at 200 or so, with the remainder uncertain, once they peel off from favorite sons.

• **Balance of Power**—If a deadlock does result, the speculation goes, the party bosses will settle the fight in 1960's smoke-filled room. This can only happen if Symington and Johnston between them manage to command a "Stop Kennedy" balance of power. In this case, the identity of the nominee could be determined by trading done by ex-Pres. Truman, a Symington man, and Speaker Sam Rayburn, Johnson's mentor.

Stevenson's hopes—what are left of them—lie in the unpredictables of that smoke-filled room. If Kennedy should be blocked for the No. 1 position and should settle for the Vice-Presidency, he could dictate the top spot—and he might prefer Stevenson over the others.

III. West Virginia Story

No matter what happens to his Presidential bid, Kennedy has established himself to the satisfaction of almost everyone as a brilliant political tactician.

By and large, when the going got toughest in West Virginia, he managed to turn his assumed political liabilities into assets. For example, he gambled that the smart way to handle the religious question was to meet it head-on. The gamble paid off. Most analyses of the vote conclude that West Virginia Protestants were, in effect, almost shamed into voting for Kennedy, rather than have themselves held up to the nation and the world as bigoted.

Road to the Summit Turns Bumpy

● Prospects for an easing of East-West relations at the summit dimmed this week.

● Khrushchev exploited to the hilt the downing of a U.S. plane inside Russia (picture).

● Then he blasted Eisenhower personally—and cast doubts on whether there would be a summit or a Presidential trip to Russia.

● It may be that the Soviet Premier has turned away from coexistence and decided to push his power—though there's still room for cautious optimism.

Washington has been reeling for a week now from the impact of the political bombshells Nikita Khrushchev has been tossing at the U.S. No sooner had the Administration recovered enough balance to handle Khrushchev's revelation about the downed U-2 reconnaissance plane (page 27) than he let fly with a personal attack on Pres. Eisenhower. In making this attack Wednesday, the Soviet Premier raised some doubt as to whether there would be a summit conference in Paris next week, and he virtually told the President that he had better call off his visit to Russia in June.

The U-2 incident by itself, though bad enough, wasn't taken in Washington as too tragic. To be sure, Khrushchev was wringing out of it all the propaganda and political blackmail he could. And early this week U.S. officials were ready to admit that Khrushchev had gained a tactical advantage for summit negotiations.

At his Wednesday press conference, Eisenhower insisted that the U-2 incident had not decisively changed the summit outlook and that he hoped for agreements on Berlin and a nuclear test ban. In referring to the latter, the President explained that the U.S. has not been planning to resume underground tests later this year on its own, but wants the Russians and the British to take part, too, in the interest of finding a workable detection system (page 126).

● Disturbing News—Then the news reached Washington later that day of Khrushchev's attack on Eisenhower. This was the worst blow yet. Some U.S. officials began to wonder if Khrushchev wanted still more summit concessions—and perhaps even would force a sudden

showdown over Berlin. In his remarks about Eisenhower, these officials speculated, the Soviet Premier might be preparing the Russian people for a reversal of his whole coexistence policy. Eisenhower himself began to reconsider whether to go to Russia, even though he had reaffirmed his intention of making the trip just a few hours earlier.

I. Summit Prospects

One thing was clear by midweek: Washington was taking a dimmer view of the summit, and of East-West relations, than it had at any time since Khrushchev's visit to the U.S. last September. The summit meeting—if held at all—seemed more likely to be a propaganda battle than a negotiating session.

For one thing, it seemed clear that Khrushchev would make a big issue of the string of bases the U.S. has around the world. This has been a central theme in Soviet propaganda for the past week, and Khrushchev may try to make it the key item at the summit. If he does, of course, Eisenhower will come back with his "open skies" plan—a proposal that Russia and the U.S. open their skies to flights by inspection planes. The President indicated Wednesday that he would renew this proposal, whatever course Khrushchev takes.

● Not Negotiable—The trouble is that neither the U.S. bases nor the open skies plan is a negotiable issue at present. The U.S. isn't prepared to give up its overseas bases until a foolproof general disarmament plan is in effect. Khrushchev, for his part, is dead set against any version of the open skies scheme. On Wednesday, Soviet Foreign Minister Andrei Gromyko said



that Soviet skies would remain closed.

From the time Khrushchev told the Supreme Soviet about the U-2, U.S. officials have been figuring that this incident would suit his tactical purposes at the summit. Many U.S. experts on the Soviet Union have been expecting right along that, just before the summit, Khrushchev would make some spectacular gesture—either unveiling another Soviet space rocket or making some move against Berlin.

So, up to Wednesday, U.S. officials weren't too surprised by the violence of Khrushchev's reaction to the U-2. This seemed his way of responding to the tough recent speeches on summit issues by Secy. of State Herter, Under Secy. of State Dillon, and Pres. de Gaulle of France. All three went out of their way to warn Khrushchev that he could expect no basic concessions on Berlin.

● Lingered Hope—Until Wednesday, therefore, Washington felt that, while Khrushchev's tactics would be tough, he still wanted some agreement at the summit. There was hope in Washington that the Paris meeting would clear the way for a treaty between the U.S., Britain, and Russia to ban tests of nuclear weapons. The odds seemed at least even that Khrushchev would also buy an interim agreement protecting the basic rights of the Allies in Berlin or, at least, that he would agree to shelve the issue pending further negotiations. Both things, in Washington's view, were in Khrushchev's interest at the moment.

II. Khrushchev's Two Goals

The cautious optimism that prevailed in Washington until Wednesday can only be understood against the back-

... Khrushchev is aware of both the danger and the increasing cost of continuing the arms race ...

(STORY on page 25)

ground of the following U.S. analysis of Khrushchev's foreign policy goals: For more than a year Khrushchev has been pursuing two essentially contradictory policy aims:

- On the one hand, he has wanted to exploit his military position, which has improved in relation to the West. At the least, he hoped to use his new strength to force the West into recognizing Soviet control over Eastern Europe. That would mean the Western allies would leave Berlin and would recognize the East German Communist regime.

- On the other hand, so this analysis goes, Khrushchev genuinely has wanted to strengthen the political base for coexistence with the West. He is aware of both the danger and the increasing cost of continuing the arms race. He probably can continue to devote roughly the current proportion of Soviet resources to military purposes. But Soviet citizens are building up pressure for a better life (page 28), and Khrushchev might find it difficult to increase the size of the military take.

There is every reason to believe, too, that Khrushchev does not want to see more and more nations get nuclear weapons, and that he is particularly loath to see Red China get them. Yet China will inevitably get them soon if the U.S. and the U.S.S.R. can't start to control the arms race.

- **Difficult Choice**—Thus, Khrushchev has been caught between the conflicting objectives of wanting to exploit his power and, at the same time, wanting the increased security, reduced economic strains, and external political advantages of coexistence. Clearly, he cannot exploit one line of policy to the maximum without depriving himself of the advantages of the other. But by buying a test ban and settling for an interim agreement on Berlin, or simply postponing a showdown there, he could get some of the advantages of both courses of action. At the same time, he would leave himself free to exploit one or the other policy line more fully in the future.

In the case of an interim agreement on Berlin, Khrushchev certainly would gain something. Although basic Western rights of occupation and access to the city presumably would be safeguarded for a few years, the Western position would be weakened somewhat. The West is prepared to limit or even scale down its garrisons, to curtail or halt propaganda activities in the city,

possibly even to associate East Germany in some way with the settlement. These concessions could be portrayed by Khrushchev to his East German allies as the beginning of eventual Western retreat from Berlin. And a Berlin agreement in itself would symbolize Western acceptance of the status quo in Central Europe.

III. A Change of Aim?

Some U.S. officials were seriously questioning this analysis at midweek. They were wondering if Khrushchev might not have decided to put the emphasis on his power goals and insist on getting Berlin in a hurry—even if that meant he would have to drop the coexistence side of his policy.

These same officials still believe, however, that some factors in time will push Khrushchev back toward coexistence. They cite two:

- A feeling that the Soviets are vulnerable militarily—indicated by Khrushchev's handling of the spy plane issue so far. This is bound to create a certain malaise in the Soviet Union. It will also create some doubt in the outside world about whether Russia is really an invincible tower of strength, as Khrushchev has been trying to prove.

- Apprehension about renewed danger of war—which may well be the dominant second-thought reaction in the Soviet Union to the implications of Khrushchev's handling of the plane incident.

The Soviet leaders must handle this issue very carefully indeed. They may come to feel very soon that they already have created more apprehension than they can comfortably afford.

IV. Ripplings Abroad

The question of the possible impact of the U-2 capture on the summit talks, naturally, was uppermost in the minds of U.S. officials this week. But it was not the only serious problem raised by the incident.

The public admission by the U.S. government that U.S. planes had used Allied bases around the periphery of the Soviet Union for intelligence reconnaissance flights over Russia could have grave repercussions. The Turkish, Pakistani, Norwegian, and Japanese governments were quick to deny any knowledge of such flights. Their representatives hurried to seek assurances from the State Dept. that no such missions would be undertaken in the future

without express permission from the host governments.

The reaction in Japan was particularly serious. There, Premier Kishi, a staunch friend of the U.S., is risking his political future to shove the U.S.-Japanese mutual defense treaty through the Diet against fierce opposition. Last week, he felt obliged to state that if any U.S. planes used Japanese bases to invade the air space of other nations, he would consider this a violation of the proposed treaty. Even if the furor over the U-2 incident doesn't lead to the defeat of the treaty, it clearly will hamper the future freedom of action of U.S. aircraft based in Japan.

- **More Threats**—Khrushchev, for his part, brutally brushed aside Allied protestations of innocence. If Allied governments didn't know what their territory was being used for, that merely demonstrated that they had no control over their territory, he stated. The Soviet Union, therefore, would feel free to destroy their bases in retaliation for any further U.S. use of them for reconnaissance flights into Soviet territory.

The U.S. is bound to suffer in the general reaction of world opinion, particularly in neutralist countries, to the revelation of the scope and boldness of U.S. intelligence operations at a time when world hopes for a truce in the cold war are high. The fact that the mission was undertaken on the eve of the summit conference, and the way the incident was handled, also are likely to prove politically embarrassing for the Administration.

By midweek, only tough old Chancellor Konrad Adenauer of Germany had unreservedly endorsed the U.S. position. Pointing out that the Soviets have long been guilty of intelligence reconnaissance flights over neighboring countries, Adenauer said: "Thank God the Americans have been making similar flights over Russia."

- **Pointed Questions**—Critics in diplomatic and Congressional circles ask the Administration three basic questions:

- Why were espionage planes not grounded on the eve of the summit conference lest they seriously embarrass the President's diplomacy?

- Does the official statement that Powers' flight was not specifically authorized by Washington mean that local military or intelligence chiefs abroad are free to order such actions without consulting Washington?

- Why did the U.S. feel that it was necessary to embarrass Allied governments and shock unsophisticated world opinion by admitting the truth of Khrushchev's charges—particularly after having originally denied them? The confession following the denial will tend to raise doubts about future U.S. denials of Soviet accusations.

- **For Security**—The official answer to

the first question is that if Washington were to call off intelligence operations considered vital to national security—in the absence of any real progress on arms control and purely to avoid ruffling the diplomatic atmosphere—it would expose the U. S. for long periods of time to unjustifiable risks of surprise attack. There is likely to be some persuasive diplomatic reason for curtailing such activities most of the time. Pre-summit negotiations, after all, have been going on since the Camp David meeting last fall. Before that there were the foreign ministers' negotiations over Berlin. After the upcoming summit conference there may very well be others.

Intelligence operations, once halted, take some time to get under way again. And if flights over the Soviet Union were halted just before and during the summit conference and then resumed, the result could be worse. The diplomatic implication that U. S.-Soviet relations had deteriorated or that the U. S. felt itself under greater danger of surprise attack than it had before the meeting might be more provocative than the continuance of flights all along.

As for the timing of the U-2 flight in question, it was determined by good weather and cloud conditions, not by diplomatic considerations, according to officials.

• **General Authority**—On the question of the reliability of Washington's control over officials overseas, the answer is that while the President authorizes all important intelligence programs around the world, he cannot be consulted on every specific mission that takes place under a given program. In the present case, since neither the President nor Secy. Herter saw fit specifically to cancel espionage flights over the Soviet Union they went forward under local authority.

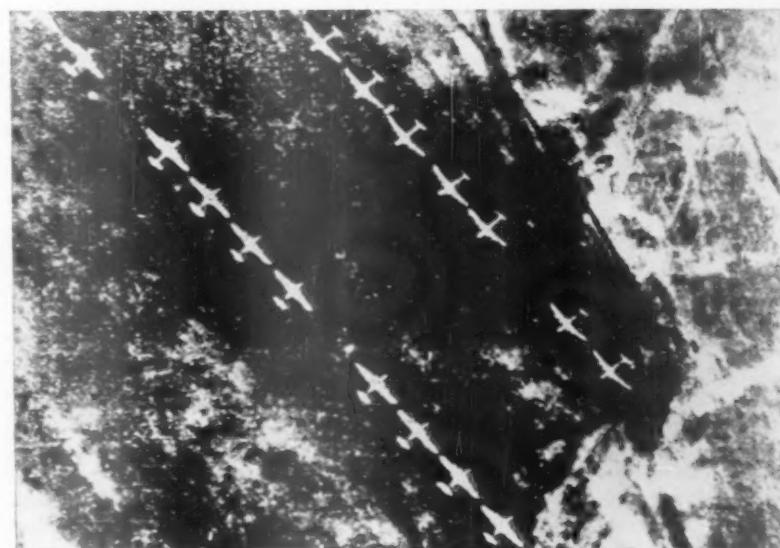
• **Why Admit It?**—The reasons for the decision to confess to aerial spying are more complex. In the first place, the fact that Powers had been captured alive meant that it would be difficult to make a denial stick. Secondly, Herter hoped by making a clean breast of the situation to make it harder for Khrushchev to blow it up into a propaganda issue that could jeopardize the summit meeting.

Moreover, Herter and the President felt that they would be less on the defensive at the summit conference if they conceded the facts of the U-2 flight than if they continued to deny them. That way they hoped to be able to put part of the blame for this and other espionage ventures on Khrushchev's refusal to agree to international measures to guard against surprise attack and to controlled and inspected disarmament.



Credit: Aviation Week

U-2 Brought Down by Reds Flies High . . .



. . . to See What's Behind the Iron Curtain

Downing of the high-altitude U-2 inside Russia has exploded one of the best-kept U. S. secrets: that aircraft of this type (top picture) have been flying reconnaissance missions over Soviet territory, perhaps since 1956—and with results such as the photo of Red planes taken, the Russians claim, from the U-2 11 miles up (lower picture).

It is believed that about 25 U-2s are currently operating from bases in the U. S., West Germany, Turkey, Pakistan, the Philippines, Okinawa, Japan, and Alaska. The planes were designed in 1954 and built by Lockheed Aircraft Corp. specifically for very high altitudes; they fly at 65,000 ft. and higher, where thin air makes most military aircraft almost impossible to control.

Each U-2 is powered by a single Pratt & Whitney J-57 turbojet engine, specially adapted for the high-altitude craft. Reportedly, the planes have a maximum speed of more than 500 mph. and a

range of approximately 3,500 miles.

To fit it for such assignments, the U-2 has a 90-ft. high-lift wing of the type usually found on sailplanes, twice the length of its fuselage. Officially, the plane has been called a "flying weather lab" because it was to be used for weather mapping and radiation sampling at high altitudes by the National Aeronautics & Space Administration and the Air Force.

Since NASA has no facilities to service planes, the U-2s are based with Air Force Weather Squadrons. Revelation that some NASA civilian pilots are on the CIA payroll and that the planes were used for military missions has dismayed NASA. Its scientists fear cooperative scientific work with our allies may be endangered.

Much of the latest information for directing Strategic Air Command bombers and missiles to target in the event of war has been gathered by the U-2.

Khrushchev Pushes His 'New Deal'

● To strengthen his political position, the Soviet Premier has promoted some of his proteges in government hierarchy.

● To please the masses of low-income workers, he is giving them a raise through eventual elimination of the income tax.

● To give Soviet currency a propaganda advantage, he is creating a new "hard ruble" worth 10 of the current coin.

Nikita Khrushchev ordered economic shifts last week that would win votes in any country. He also rejigged his high command. These moves were in line with a continuing Soviet policy that bears a paradoxical resemblance to programs undertaken in European welfare states and even to portions of the U.S. New Deal policy of the 1930s.

Key developments announced by Khrushchev last week were:

- A shakeup in the top Soviet leadership (pictures, right) aimed at consolidating the Premier's political position in the face of external and internal challenges to come.

- Progressive elimination of the income tax in a manner designed to benefit lower-income groups. This is another step in Khrushchev's "New Deal" policy of leveling differences in personal incomes of Soviet citizens.

- Introduction of a new "hard ruble" to be worth 10 of the current ruble. This is largely a prestige and propaganda gesture with little real economic significance, since prices and wages will undergo a corresponding adjustment and since Russia conducts no trade in rubles outside the Soviet bloc.

- **Proteges Upped**—In reshuffling his high command, Khrushchev appears to have battened down as well as he can the political hatchets of his ship of state. Frol Kozlov was moved from his post as First Deputy Premier to the Communist Party Secretariat—traditional springboard to power in the Soviet Union. His successor as First Deputy, former state planning chief Alexei Kosygin, was promoted to full Presidium membership. Both men are said to be loyal Khrushchev proteges.

In his new job, Kosygin very likely will keep tight reins on state planning. One line of thought in Moscow is that Kosygin will take over from Anastas Mikoyan, the other First Deputy Premier, most responsibility for internal economic problems. Among other things, this would free Mikoyan for more time on the road drumming up

foreign trade. Kosygin has been closely associated with Russia's consumer goods program.

The shift in leadership also resulted in replacement of 79-year-old Marshal Kliment Voroshilov by 54-year-old Leonid Brezhnev as titular chief of state of the Soviet Union. Voroshilov was said to be ailing. Most probably, Brezhnev will relieve Khrushchev of more traveling than Voroshilov did.

I. The Economic Shifts

Khrushchev's tax reform, announced at the Supreme Soviet and to be implemented gradually over the next five years, aims at eventual complete elimination of all income taxes for the urban population. Lower-income brackets will benefit the most. Workers earning less than 1,000 rubles a month (the great majority) will get the full benefit—roughly a 5% net gain in their average income. Those in the 2,000 to 3,000 ruble bracket won't do quite so well; their wages will be cut by about half the amount of their present taxes. Those earning more than 3,000 rubles will get no relief at all, since their salaries will be cut by the amount they now pay in taxes.

In over-all economic terms, the tax reform won't mean much since income tax rates are so low—13% is maximum. Sales taxes are the main levy on worker income, accounting for at least six times more state revenue than income taxes in 1959. But the egalitarian form of the tax change will give it added impact.

- **Rubles and Dollars**—The projected 10 for 1 increase in the gold content of the ruble—the other economic change revealed last week—means it will have a substantially higher nominal value in dollars. If the current official rate of 4 rubles per \$1 should be retained, the new ruble would be nominally worth \$2.50. If—as is thought more likely—the current tourist rate of 10 to 1 is made the official rate before revalua-

tion next year, the new ruble would nominally be worth \$1.

Either way, Khrushchev would hope for propaganda benefits. He could point to ruble parity—or more than parity—with the dollar as a symbol of the growing strength of the Soviet economy.

This probably was the main motive behind the move.

There has been no significant price inflation in the Soviet Union in recent times. Conversion of the ruble could be used as a deflationary device, by lowering prices less than the volume of rubles in circulation is cut. But there is no indication that Khrushchev plans to do this.

In the view of most experts on the Soviet economy, the ruble conversion is very probably not a first step toward making the ruble convertible internationally.

- **Heresy**—The chance that the Soviet Union might actually free its foreign trade from both monetary and trade controls is virtually nil. To do so would undermine, if not destroy, the basic concept of "socialist" planning that is built into the Soviet economy. It would mean allowing individual Soviet enterprises to decide for themselves what they wanted to buy and sell abroad at what price. To the Russians, that would be economic heresy. Besides, even though foreign trade still represents a small percentage of the Soviet gross national product, the introduction of economic freedom of choice involved probably would disrupt internal economic planning.

II. Khrushchev's Revolution

Of the two economic reforms announced by Khrushchev, the tax change is probably the more significant. Its political implications are important against the background of Soviet economic and social history and within the framework of Khrushchev's policies since he assumed leadership.

Stalin, his predecessor, was faced with the problem of building an industrial base for a modern society almost from scratch and in a very short time. To do this, he not only used force ruthlessly, but gradually introduced an elaborate system of financial incentives for more work. Glaring disparities of financial rewards, often for similar jobs, developed as bonuses were decreed to meet special problems.

- **Dwindling Returns**—Stalin's methods succeeded spectacularly in forcing up production in basic industries. But even before he died, the Soviet economy had reached a point of maturity at which his system of compulsion and

and Shifts Top Aides

extravagant incentives was paying diminishing returns in quality of output, efficiency, and productivity. As more and more workers learned modern technical skills, pressures mounted for more equal rewards for work. As in capitalist countries at an earlier stage, the emergence of a true mass-producing economy led to at least passive demands by industrial workers for a fairer share of the products of their labor.

As wide and often arbitrary differences in income became built into Soviet society, they ceased to act as incentives and became a drag on efficiency and productivity. Shotgun attempts to equalize income were made in Stalin's later years—notably across-the-board price cuts and wage hikes. But these methods didn't get at specific economic injustices.

• **Khrushchev's Answer**—It was left to Khrushchev to develop a structure of economic incentives sophisticated and flexible enough to meet the needs of a more mature industrial society.

Since his accession to power, Khrushchev has carried out a social and economic revolution that some observers say is comparable in scope—though drastically different in motivation and detail—to the New Deal of the 1930s in the U. S. and to the emergence of welfare-oriented states in Western Europe. For one thing, he decentralized control of the economy. To the miserably underprivileged peasants, he gave higher prices for their crops, lower taxes, greater freedom to farm private plots, less onerous political control. The industry worker was granted a minimum wage, more and better housing. Pensions of all sorts were increased, and the compulsory state loans that weighed most heavily on lower-income groups were abolished.

Recently, Khrushchev has been chopping down hard on high incomes. The formerly lush fees of top artists have been cut by as much as 90% in some cases. Academicians now are forbidden to accept remuneration for more than one job. A professor who used to earn 7,000 rubles a month now probably earns 5,000 or less. The system of bonuses for industrial workers is being drastically overhauled to narrow disparities. Khrushchev also is moving to shorten the work week from 48 to 41 hours.

• **Impact on Politics**—The political implications of Khrushchev's social revolution still are largely a matter for speculation. So far, he has been able to get away merely with more even distribution of resources available for personal consumption—helping the underdog at the expense of the upper dog.

The Soviet economy, despite Khrushchev's "socialistic" reforms, remains growth-oriented rather than consumer-oriented. Although the absolute amount of goods available to the consumer has increased—from a miserably low level—by roughly 5% a year in recent years, the share of total production made available to the consumer has declined, if anything.

Popular demands have been increasingly insistent that Khrushchev allocate a larger slice of the national economic pie to personal consumption and less to investment and military expenditures. But, like Malenkov before him, he has replied mostly with promises. Just last week he offered the Supreme Soviet another highly qualified promise. If the goals of the current Seven-Year Plan could be achieved in five years, he said, the resulting savings would be channeled into production of consumer goods.

• **Satisfying Demands**—The crucial political question—for the outside world as well as for the Soviet Union—is whether Khrushchev can continue to satisfy his people with a redistribution of income without giving them a larger share of the rapidly expanding Soviet economy's total production.

So far, Soviet consumer demands have not reached critical intensity. Khrushchev's political problem is more like that of a military commander concerned with the morale of his troops than that of a congressman who must satisfy the minimum demands of his constituents.

But there is reason to believe that pressure will increase for a radical change in the allocation of Soviet resources. On the one hand, there are signs that the concessions granted so far to lower-income groups have merely whetted their appetites for more. The Soviet press has reported serious unrest in a number of key industrial areas—and a full-fledged riot in protest against living conditions at the Karaganda steelworks. On the other hand, resentment is bound to mount in the higher—and politically more influential—income groups as their standard of living is cut to appease the underdogs.

However, there is no reason to believe that the demands of the poor or the discontent of the rich are politically effective enough at this stage to limit Khrushchev's freedom of action at the summit. Khrushchev doesn't feel that he must come to terms with the West in order to devote military resources to consumption—or that he must create new tension to give himself an excuse for failing to boost the standard of living.



FROL KOZLOV advances from First Deputy Premier to Party Secretariat.



ALEXEI KOSYGIN, former chief state planner, moves into First Deputy job.



LEONID BREZHNEV replaces aged Marshal Voroshilov as titular chief of state.



DONALD McGANNON, who headed industry review, says things are better.



CHARLES VAN DOREN was central figure in last fall's scandal over the fixing of quiz shows. He lost his NBC job, and most of the big-money quiz shows were quickly canceled.

End of First Round in Cleanup

"How can it be so young and have so many bad habits?" marveled Rep. John E. Moss (D-Calif.). With this parting shot, Congress closed its spring semester of hearings on malpractices in the TV industry.

It has been a rough season for the broadcasters and their allied businesses. Starting with the quiz show probe last fall, just about every arm of government that could claim a hand in the business has taken its whacks at TV networks, agencies, advertisers, and performers.

The Federal Trade Commission prodded the networks to clean up commercials and issued complaints in batches against TV advertisers and—for the first time—against their ad agencies as well. It also filed unfair competition charges against record makers for giving payola to disk jockeys.

The Justice Dept. asserted its jurisdiction over acquisition of stations by networks, and got the National Broadcasting Co. to agree to exchange its lucrative Philadelphia station for an outlet in a less desirable market area.

The Federal Communications Commission was harried, by Congress and the President, out of its laissez-faire attitude toward TV. Under pressure of charges of favoritism toward the industry, two commissioners including the chairman left the seven-man board. FCC curbed network power by ordering the nets to stop acting as sales representatives except for their owned and operated stations. This week, newly appointed Chmn. Frederick W. Ford indicated he will take a tougher line with the industry, particularly in prodding it to improve programming. He warned

TV, for example, to cut down violence in its shows.

Congress, mainly through Rep. Oren Harris' Subcommittee on Legislative Oversight, publicized several forms of corruption in TV programming. After exposing collusion in many quiz programs, it went on to popularize the trade term "payola." It gave some attention to "plugola"—the mentioning of brand names in a program for a consideration. Last week it wound up the hearings with discovery of "Clarkola" or "rovola."

• **Clarkola**—The Harris committee questioned top TV disk jockey Dick Clark (picture, right), whose shows take in \$6-million a year for the American Broadcasting Co.

Testimony brought out that Clark didn't accept payola in the ordinary sense of the term—payment to a disk jockey by a record company for playing its records. But he owned pieces of many record companies—33 by his own admission—whose records he played on his shows. From 1957 through 1959, his equity in these companies increased by \$409,020, and he received \$165,570 in salaries from them and \$236,604 in royalties. The committee concluded that he played records of companies in which he had an interest twice as often as others.

• **Pass a Law?**—No one expects much in the way of legislation to come out of all this sound and fury.

Two bills have no discernible opposition, even from the National Assn. of Broadcasters, the major trade group. One would make it a crime to fix shows involving a contest of skills; the other

would require the sponsor of a plug to be identified on the program. These bills are expected to pass eventually, but probably not this year, with adjournment hanging over Congress and the Federal Power Commission taking over as a target for investigation.

Less chance, now or later, is given to a bill that would tighten regulations governing award of station franchises and give FCC authority over changes in station ownership. Another bill would give FCC the power to suspend licenses, in addition to its present "ultimate weapon" authority to revoke licenses.

• **Cleansing Power**—The lack of legislative product doesn't mean the hearings have been ineffectual. Most observers credit the hearings with having spurred network action against the most-publicized abuses, such as quiz show tampering and plugola on network-produced programs.

In the field of TV advertising—both its truthfulness and its taste—the networks face a trickier problem. It's not just a matter of correcting abuses committed within their own organizations but of contending with their bread-and-butter clients. And some of their advertisers have little or nothing against them but the fact they make products not usually discussed in the family living room: corn removers, headache and stomach remedies, laxatives, deodorants. Advertising of these personal products arouses the bulk of the criticism of TV commercials (BW—Apr. 30 '60, p86).

Pres. Donald H. McGannon of Westinghouse Broadcasting Co., who has just completed a job as chairman of the NAB Code Review Board, thinks that



REP. OREN HARRIS, right, gave a progress report in a 41-page exposé of quiz show rigging. He recommended cutting off broadcasting rights of future offending stations.



ROBERT E. KINTER, head of NBC, urged it be made a crime to rig quiz shows.

of Abuses in TV

the industry has improved things considerably since Congress started its probe.

• **Matter of Taste**—Problems remain, though, as Grace Johnsen, ABC's director of continuity acceptance, points out:

"Our main problems come with questions of taste, particularly in the personal products. Here it's a matter of negotiating on a give-and-take basis with the agencies. For example, an advertiser submitted a commercial for a laxative that used the analogy of a railroad train—we just wouldn't take it. In another case, we got a rough print of an undergarment ad. A portion of it was—well, not too sexy but too graphic. Here we were able to work out an acceptable compromise by agreeing on the use of a silhouette technique in the questionable portion."

• **Honest Advertising**—Federal Trade complaints have made most agencies cautious about using misleading props in commercials. If FTC hasn't put the pressure on, the clients have.

Deception survives, though, in a few cases. One shampoo ad still makes Brand X look bad by picturing its user as a literally dirty blonde—dirt has been rubbed in the model's hair.

Prepackaged plugs in shows pose a different problem. Ever since plugola became news, networks have scrutinized their own produced shows for evidence of paid plugs, but it's harder to detect and to control plugs that have been built into a TV show by a package producer.

• **Monopoly Charge**—TV is by no means getting a respite until after the

elections, even if Congress should adjourn without further action. Rep. Harris has hinted he will reconvene his committee for a summer session to see if the networks have used monopolistic methods.

By law, each network can own and operate only five VHF stations. Ideally, the networks would like to locate these profitable O&O stations in the nation's biggest markets.

In the NBC case, the government charged that the network had violated antitrust law in acquiring its O&O station in Philadelphia (BW—Sep. 26 '59, p27), basically by wrongfully using its power over station owners to let them join the network or to cut them off. Last fall, NBC entered into a consent decree, agreeing to vacate the Philadelphia station and submit its new O&O plan to the Justice Dept. NBC proposed to sell its Washington station as well as the one in Philadelphia and to buy stations in Boston and San Francisco.

This shuffle would involve taking away the present NBC affiliation of the Boston station owned by Westinghouse Broadcasting and of the San Francisco station owned by the San Francisco Chronicle. NBC would then transfer its network programming to its new stations in those cities.

This week, Westinghouse Broadcasting and the Chronicle filed to intervene in the antitrust suit. Besides deciding who will own some choice TV properties in key markets, the suit thus may set a legal precedent on the extent of a network's right to disaffiliate a station.



DICK CLARK, ABC disk jockey, admitted having financial interest in records.



ALAN FREED, another New York disk jockey, lost job, testified later.

These Democratic proposals . . .
the Administration figures . . .
. . . would have this effect on the budget

	EFFECT ON FISCAL 1961	TOTAL 5-YEAR EFFECT (in millions of dollars)
Government employees' pay increase . . .	\$810 . . .	\$4,050
Emergency aid for housing . . .	703 . . .	763
School construction, Senate version . . .	855 . . .	1,742
Health benefits for aged (Forand Bill) . . .	1,100 . . .	4,300
Removal of age requirement for OASI disability . . .	238 . . .	1,500
Depressed areas assistance . . .	34 . . .	485
Youth Conservation Corps . . .	125 . . .	1,590
Expanded veterans' benefits . . .	181 . . .	1,706
Educational TV . . .	10 . . .	50
International Health & Medical Research Act . . .	50 . . .	250
Increase in HEW Dept. research, etc. . . .	98 . . .	182
Increase in conservation programs . . .	27 . . .	42
Total . . .	4,197 . . .	16,660

Numbers Game in Budgeting

Democrats push bigger spending plans (table) in confidence that most will be vetoed. They are making campaign hay.

The ancient and honorable art of political arithmetic is being given some new twists these days in Washington, with Congress and the Administration bracing for a battle over spending.

Both Republicans and Democrats are marshaling numbers and dollar signs with the idea of making the opposition look bad before Election Day next November. And along with this political maneuvering, a fundamental clash of views over the future of government spending is being sharpened.

• **Up, Up, Up**—Actually, both parties accept some rise in spending as inevitable. The traditional cut-the-budget bloc in Congress has been reduced to its weakest position in years. The economizers—men like Sen. Harry F. Byrd (D-Va.) and Sen. Barry Goldwater (R-Ariz.)—are operating as individuals, not as leaders of effective groups.

The anti-spending fever that swept Congress for a few months back in 1957 is almost forgotten. Even the milder economy spirit of last year, which pro-

duced a drop of some \$2-billion in budgeted outlays, is largely dissipated.

Nothing in the business picture shakes the confidence of officials that a period of economic expansion lies ahead, during which revenues will rise more than enough to pay for expanding outlays. Policymakers in both parties dream of surpluses at the same time they advocate new spending programs.

• **Democratic Strategy**—The Democrats, though, are playing for the best of two worlds. By pushing for a number of programs that would greatly expand the Eisenhower budget (table), they hope to put the Administration in the position of seeming to rate dollars above human welfare. But they confidently expect Eisenhower to veto all the budget-breakers, and they know that with possibly one major exception—a pay increase for federal employees—the vetoes are likely to be sustained. And they can always cut foreign aid enough to make up for any spending increases that do slip through.

Thus, they hope to go home in July boasting they reduced the Administration's \$79.8-billion budget for fiscal 1961.

Whether this dual personality of the Democrats on spending will attract

voters remains to be seen. Meanwhile, it keeps the Northern wing of the party, in Congress largely spenders, and the Southern wing, largely economizers, in a loose alliance.

• **Nixon View**—The new policymakers in the Republican Party, centering around Vice-Pres. Richard M. Nixon, are ready to accept an increase in spending but are determined to hold it to a pace that will be covered by rising revenues from a growing economy. Their real commitment is not to a specified level of expenditures but to a spending rise slow enough to make debt reduction possible and tax increases unnecessary. If there is leeway for tax reduction, so much the better, in their view.

Actually, such Democratic fiscal conservatives as House Speaker Sam Rayburn, Senate Majority Leader Lyndon Johnson, and Wilbur Mills, chairman of the House Ways & Means Committee, hold a quite similar view of the next phase in budget policy. But it is the Nixon group that is giving it clearest expression.

Short-run, the Nixon group wants to preserve the \$4.2-billion surplus that Eisenhower posted for the fiscal year beginning July 1. Long-run, it wants to establish the party as one willing to



What is the Bell System?

THE Bell System is wires and cables and laboratories and manufacturing plants and local operating companies and millions of telephones in every part of the country.

The Bell System is people . . . hundreds of thousands of employees and more than a million and a half men and women who have invested their savings in the business.

It is more than that. **The Bell System is an idea.**

It is an idea that starts with the policy of providing you with the best

possible telephone service at the lowest possible price.

But desire is not enough. Bright dreams and high hopes need to be brought to earth and made to work.

You could have all the equipment and still not have the service you know today.

You could have all the separate parts of the Bell System and not have the benefits of all those parts fitted together in a nationwide whole. It's the time-proved combination of research, manufacturing and opera-

tions in one organization—with close teamwork between all three—that results in good service, low cost, and constant improvements in the scope and usefulness of your telephone.

No matter whether it is one of the many tasks of everyday operation—or the special skills needed to invent the Transistor or develop underseas telephone cables—the Bell System has the will and the way to get it done.

And a spirit of courtesy and service that has come to be a most important part of the Bell System idea.

BELL TELEPHONE SYSTEM



American Telephone & Telegraph Company • Bell Telephone Laboratories • Western Electric Company • New England Telephone & Telegraph Company • Southern New England Telephone Company • New York Telephone Company • New Jersey Bell Telephone Company • The Bell Telephone Company of Pennsylvania • Diamond State Telephone Company • The Chesapeake & Potomac Telephone Companies • Southern Bell Telephone & Telegraph Company • The Ohio Bell Telephone Company • Cincinnati & Suburban Telephone Company • Michigan Bell Telephone Company • Indiana Bell Telephone Company • Wisconsin Telephone Company • Illinois Bell Telephone Company • Northwestern Bell Telephone Company • Southwestern Bell Telephone Company • The Mountain States Telephone & Telegraph Company • The Pacific Telephone & Telegraph Company • Pacific Telephone-Northwest • Bell Telephone Company of Nevada

spend more for economic and social purposes—but always within a framework of fiscal prudence.

• **Plan for Aged**—The leading spending proposal of the Nixon group to date is the Administration's health plan for the aged. It would cost the federal government up to \$600-million a year, beginning with Nixon's first year in the White House if he should win the November election. It is assailed by Goldwater as "dime-store New Deal," but on the whole, the once-formidable GOP economy bloc in Congress accepts the plan as good politics.

Arthur S. Flemming, Secretary of Health, Education & Welfare and a close Nixon ally, shrugs off questions about the plan's cost. He was asked how the Administration could endorse it while opposing other programs that cost less. The cost never was the chief factor in trying to devise a workable plan, he replied.

Even Budget Director Maurice Stans, an Administration wheelhorse in holding the spending line, has endorsed the plan, though with a notable lack of enthusiasm. He told the Ways & Means Committee this week that it was preferable to the Forand bill, which, over a five-year pull, might cost an estimated \$4.3-billion more.

• **Five-Year Look**—Republicans are making increasing use of five-year projections of budget obligations in their drive to block Democratic spending proposals. The purpose, of course, is to make evident the full effect of spending programs, instead of concentrating on first-year costs as the traditional system does.

When Eisenhower last week sent Congress a sharp reminder to get down to work on his legislative proposals (BW—May 7 '60, p23), he included a warning that spending ideas under consideration could wipe out the projected surplus for fiscal 1961 and could throw the budget in the red for five years to come. Behind this warning was a table like the one on page 32 prepared for him by his advisers.

Democrats growl that this is unfair because not all of the proposals on the list will be adopted by Congress. But Republicans continue to use five-year projections as their major weapon in Congressional debates, and they will use the same device freely in the campaign, to try to pin the spender label on Democrats.

• **Ten Years, Too**—Stans has also introduced a 10-year look-ahead into the rising debate over spending.

It amounts to a warning that, unless the tendency to increase outlays is held under tight rein, the growth of the economy will not supply enough revenue to pay the bills. With gross national product close to the \$500-billion mark, federal tax receipts are running

around \$80-billion on an administrative budget basis. Revenue thus is 16% of GNP.

Stans accepts Administration projections indicating that a \$750-billion economy is feasible by 1970. If revenues continue to come in at the rate of 16% of GNP, they would provide \$120-billion for the federal budget by that year—a rise of \$40-billion over the present level.

But, Stans adds, if spending increases as much in the next 10 years as it did in the 1950s, federal outlays would hit the \$160-billion mark by 1970.

Conservative Democrats in Congress share this same apprehension. But the pro-spending bloc of the party takes a different view. Instead of worrying too much about the spending side, they argue, the government should assume the responsibility for speeding up growth, thus generating more than an extra \$40-billion a year in revenue by 1970.

• **Democrats' Maneuver**—The Democrats' deep split on fiscal policy was highlighted during passage of the area development bill, a measure warmly supported by the party's Northern wing. Some Southerners joined Republicans in maneuvers to delay passage, and for a time it seemed that this familiar coalition would prevail. But only about half of the Southern Democrats took an active part. The bill was passed, though only by a vote of 201 to 184—far short of the two-thirds necessary to override the veto that Republicans expect.

Eisenhower had budgeted only \$10-million for area assistance in fiscal 1961, compared with the estimated \$44-million the Democrats' bill would provide.

• **Federal Pay**—The Democrats may fare better with a bill to raise the pay of government employees. The House Post Office & Civil Service Committee has approved a 9% increase, which would add \$810-million to the 1961 budget. This is likely to be cut down to a 7.5% raise, costing \$675-million.

Spokesmen for government employees say a number of Republicans would vote to override a veto if the raise were 7.5% or less. With solid Democratic backing, this means Eisenhower could lose on this issue, though there seems little chance for any of the other Democratic programs to survive.

On both the one-year and the five-year basis, it seems likely that Eisenhower will win this year's battle of the budget, as far as the dollar count goes.

But it's the vote count in November that concerns practically everybody else in Washington. So far, both the Nixon forces and the Democrats think they are pounding out a winning policy by soft-pedaling the traditional issue of economy.

No May Christmas

Mother's Day sales, good but not spectacular, leave retailers still waiting for a big buying lift.

It's going to take more than a Mother's Day—"a candy and flowers event," according to one U.S. merchant—to give retail sales the lift needed to raise them to levels expected earlier.

Not that retailers have anything against motherhood. It's just that weather and the reaction from previous overconfidence have ganged up to create something less than bullishness.

In the past, some quarters have billed Mother's Day as second only to Christmas for retailers. But most of them who talked to BUSINESS WEEK reporters this week pooh-poohed the idea that it was a major sales factor. It's true that accessories and small gifts get a major play. Detroit merchants figure it tacks 25% on to an ordinary weekend's sales. But this year the added business wasn't even up to par in some areas.

• **Busy Milwaukee**—Said a Houston retailer: "It wasn't tremendous. Just good. It's just a two- or three-day season. As you'd expect, flowers, costume jewelry, and women's unmentionables did best, and in that order."

There were dissenters. Milwaukee, which presumably hasn't any more mothers than anywhere else, reported stores were jammed, counters swamped all day "just like Christmas."

• **Sluggish Customers**—But the pro and con of Mother's Day as a sales booster isn't the major topic among retailers these days. What is bothering them is the less-than-exciting performance in their stores. Most still see the year ending ahead of 1959, but not with the 10% gains they had been led to believe were possible.

A top executive of a big New York store reported sales fairly strong up until the past few days. There is no explanation for the sharp slowdown, though management is hunting for a scapegoat. Some are finding it in the rosy predictions made before the turn of the year.

Many areas are still experiencing unseasonably cool and rainy weather.

Almost universally, merchants reported lagging sales of summer goods—garden supplies, lawn mowers, outdoor grills, and breezy summer clothes.

• **Appliance Showing**—A New York store reported appliance sales are excellent despite reports from other areas that customers are holding off big-ticket purchases. In Pittsburgh, a merchant surmised that manufacturers have gone too far in making major appliances extra-fancy, thus extra-costly.

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In Business

Nashville Stores Quietly Desegregate Lunch Counters; Negroes Lift Boycott

In a discreet silence designed to avoid hoodlum violence, six stores in downtown Nashville took a major step toward what looks like complete desegregation of the stools at their lunch counters.

The plan, worked out by merchants and a Negro committee of four, started on Tuesday when, at the off hours in each store, two Negroes quietly sat down on hitherto segregated stools and were served without fuss. The stores involved were Harveys, Allied Stores' Cain-Sloan, Woolworth, Kress, McClellan, and Walgreen. At midweek, no violence had been reported; by agreement, the plan was not mentioned by any local newspaper, TV, or radio.

The pact calls for Negroes not to seek stool service this weekend, when the city is crowded with rural visitors. But starting Monday, there will be no limit on times or numbers of Negroes to be served.

As soon as the plan went into effect, Negro boycotts of the stores involved were lifted.

Export-Import Bank Announces Plan To Cut Credit Risk for U.S. Exporters

The Export-Import Bank this week detailed its new program of financial aid to U.S. exporters.

The plan, effective May 23, guarantees U.S. exporters against certain political risks in extending short-term credit (one to six months) to foreign buyers. The risks covered are (1) foreign currency inconvertibility or non-transferability, (2) war or civil "commotion," (3) cancellation of import licenses or other regulations that prevent delivery of goods, and (4) expropriation of the exported items by foreign authorities.

The cost of the coverage will be 25¢ for each \$100 worth of exports for one month and an additional 5¢ a month, up to 50¢ for six months.

Ex-Im also will broaden its political risk guarantees on medium-term credit (six months to five years) to match the new short-term coverage.

Tariff on Typewriter Imports Barred; "Dumping" Protection Rules Changed

U.S. producers who want protection from foreign imports found two sets of thorns in their path this week:

• The Tariff Commission unanimously rejected a plea by Royal McBee and Smith-Corona Marchant that a 30% duty be slapped on imported typewriters, which are now duty free. The commission harkened to arguments

by other U.S. typewriter makers, importers, and retailers that: (1) a third of imports are actually made in U.S.-owned plants abroad, and (2) drops in sales of U.S. manual models are due not so much to imports as to competition by U.S. electric machines.

• The Treasury Dept. set up a substantially stiffer pricing formula that will make it harder for U.S. producers to secure punitive tariffs on foreign goods allegedly being "dumped" in the U.S. The Treasury is also thinking of removing the existing cloak of anonymity from complaints in dumping cases.

Lockheed Blames Nacelle Weakness For Crashes of Its Two Electras

Lockheed Aircraft Corp. this week came up with an explanation for the crashes of two of its Electras since last September. In technical terms, said Lockheed, the trouble was a shattering, oscillating movement between engine nacelle and wing. There were three causes for this movement: high speed, air turbulence, and weakened parts of the nacelle itself.

This finding—the result of a two-month test (BW—Apr. 2/60, p32)—was announced by Lockheed Chmn. Robert E. Gross. He said studies showed "some damage existed in the engine-nacelle area of both Electras prior to their accidents." Under stress from speed and turbulence, the damage built to the breaking point.

Future accidents could be prevented by modifications costing not more than \$25-million, Gross added. Design changes are being submitted to the Federal Aviation Agency for approval.

Lockheed has sold 136 Electras, 115 of them to U.S. airlines. These planes have been forced to fly 100 mph. slower than their normal 400 mph. or more, ever since the March crash of a Northwest Airlines Electra. The speed limit will probably apply at least until July—the earliest date at which Lockheed estimates modification can begin.

Business Briefs

Ford Motor Co. is pegging a massive promotion stunt for its 1961 models to the town of Flora, Ill. (pop. 5,000). In September, owners of each of Flora's 1,600 vehicles will be entitled to one week's free use of a new Ford, Falcon, Thunderbird, or Ford truck. The idea: to show the appeal of the 1961 models—if they catch on in Flora—and to get a batch of national publicity.

A \$100-million, 20-building apartment "city" to house 5,000 families is being planned for New York's borough of Queens by builder Samuel J. Lefrak. Financing will be sought in 13 different packages, from all conventional sources, Lefrak said.

Detroit's Common Council has proposed a 1% city income tax as part of its budget for fiscal 1961. Twin goals: to get rid of an expected \$8-million deficit and switch some of the tax load from local property owners to commuters.

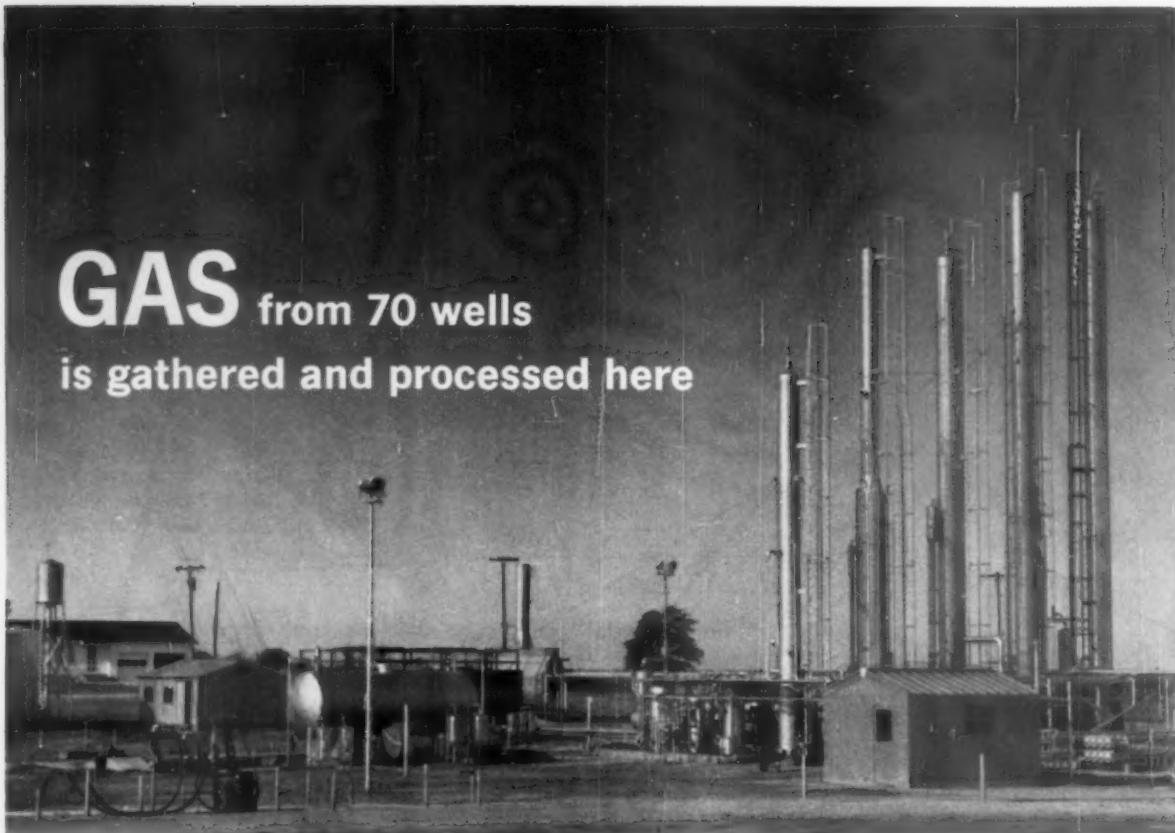


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GAS from 70 wells is gathered and processed here



"JENKINS valves give us the dependable performance our operations demand."

— states Kerr-McGee Oil Industries, Inc., Oklahoma gas producer

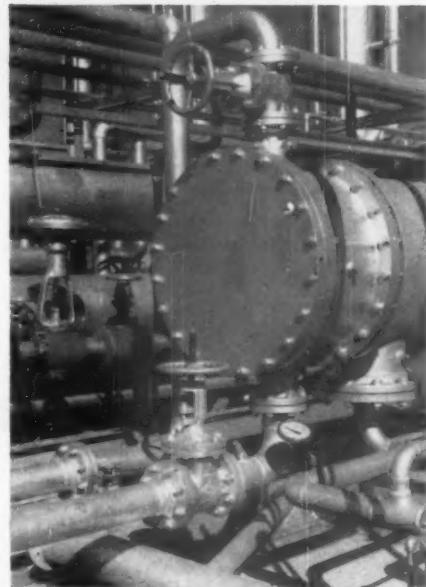
How Kerr-McGee's field processing plant in Lincoln County, Oklahoma, gathers and extracts valuable hydrocarbons from gas before delivering it to the consumer is an interesting story, briefly told below. But you need not know the process to appreciate the fact that maximum reliability in valves is a "must".

The valves that assure Kerr-McGee of dependable, trouble-free performance bear the same name as that written on piping layouts of critical jobs of all kinds for almost a century. Experienced engineers, contractors and operating executives know that "JENKINS" stands for an extra-measure of quality. They know it is the best guarantee of long, trouble-free service. There's no extra cost attached to this specification for extra quality, so you can use it for any job. Jenkins Bros., 100 Park Ave., New York 17.

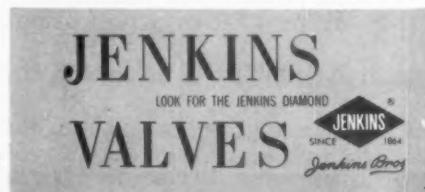
HOW THE GAS PROCESSING PLANT WORKS...

Because it is a vapor at low pressure, gas is first compressed and injected into the bottom of a tall tower, called an absorber; oil is injected at the top. As the oil goes down, the gas goes up . . . the gas products are absorbed by the oil. The gas enriched oil is then processed to remove valuable light hydrocarbons.

Sold Through Leading Distributors Everywhere



Jenkins Gate Valves on lean oil cooler to the absorber



WASHINGTON OUTLOOK

WASHINGTON
BUREAU
MAY 14, 1960



A test of protectionist sentiment in Congress is coming between now and adjournment in July.

The outlook: a setback for liberal free traders. It is a virtual certainty that the Senate will adopt a "sense of Congress" resolution—introduced last week by Sen. Robert S. Kerr of Oklahoma—opposing further U. S. tariff cuts in international trade negotiations scheduled for this fall in Geneva, Switzerland. Prospects for House passage of the resolution are less certain, but fairly strong nevertheless.

The resolution will not be binding on the U. S. negotiators in Geneva, but its passage by Senate or House, or both, could have a moderating influence. Official decisions have yet to be made on which commodities this government will offer to let come in at lower duty rates.

Lyndon Johnson's attitude on foreign trade explains in large measure the rising feeling that a substantial Congressional shift on trade is in the making. The Senate leader's thinking, not publicized heretofore, was outlined in some detail for a small group of Washington newsmen who traveled with him last weekend on a political sortie into three industrial states—Pennsylvania, Ohio, and West Virginia—where heavy imports of steel, glass, and clay products are causing some economic dislocation.

Johnson would be less a free trader, would insist strictly on full reciprocity in international trade to balance the total of imports with the total of exports. He thinks the next Administration "ought to put tough, able businessmen" in charge of the trade program and says "I'd like to have a Bob Kerr at the head of it." In principle, Johnson agrees with Kerr's resolution.

The most conservative of the Democratic Presidential contenders—that's the role Johnson has staked out for himself. His remarks on trade, volunteered without prompting, help to illustrate his position on the Democratic political spectrum.

Neither Sen. John F. Kennedy nor Sen. Hubert H. Humphrey, in a bitter month of campaigning in the West Virginia Presidential primary (page 23), chose to raise the trade issue directly or to hold out any promises of tariff relief for businesses feeling foreign competition.

Johnson's campaign strategy is to concentrate on making himself better and more popularly known in northern and eastern states, where he is weak because of opposition from organized labor and such minority groups as the National Assn. for Advancement of Colored People. He now has done everything possible to make known his candidacy save for the final act of formal announcement. That won't come until after Congress adjourns, and it won't come even then if it appears that Kennedy has a lock on the nomination.

—•—

Medical insurance for retired unionists arises as a bargaining issue that could have considerable impact on future labor negotiations.

Note the new labor line being expounded by Arthur J. Goldberg, one of the AFL-CIO's top bargaining strategists.

In effect, it goes like this: If Congress fails to enact the Forand bill, or some comparable system of federal medical insurance for the general public, then organized labor must negotiate for private coverage as an employer-paid fringe benefit for union members—both active and retired.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
MAY 14, 1960

Big labor's hope is that this kind of talk will soften organized opposition raised by some employer and business groups—the National Assn. of Manufacturers, the Chamber of Commerce, and so on—to the concept of federal medical insurance as an extension of Social Security.

But the talk seems to be much more than a mere strategic threat aimed at trying to influence the outcome of the legislative fight on this issue. Without waiting to see what Congress may do about the Forand bill and similar proposals, Northwestern Bell Telephone Co. and the AFL-CIO Communications Workers union agreed last week on a contract (BW—May 7 '60, p150) that includes a new medical insurance program. Potentially, it is a pattern-setter for the entire telephone industry. Medical insurance—to be paid for by Northwestern Bell—covers not only active employees but also some 2,000 pensioners.

—•—

Stricter federal regulation of bank mergers now is assured.

After four years of trying, Congress has passed a bill for comprehensive review and regulation. Pres. Eisenhower is certain to sign. The bill is the first piece of antitrust legislation to be enacted this year—and probably the last.

Proponents of a tough antitrust program are disappointed by the bank bill as it finally turned out. One reason: It gives regulatory powers to the banking agencies—Federal Reserve Board, Federal Deposit Insurance Corp., and Comptroller of the Currency—while allotting only a consultant's role to the Justice Dept.

—•—

A report on the situation at the Federal Power Commission:

The Senate will stall on Eisenhower's two new nominees. The Democratic majority is not likely to refuse confirmation—as it did in the case of Lewis Strauss, whom Eisenhower wanted to be Commerce Secretary a year ago. But it probably will simply fail to take any action whatever.

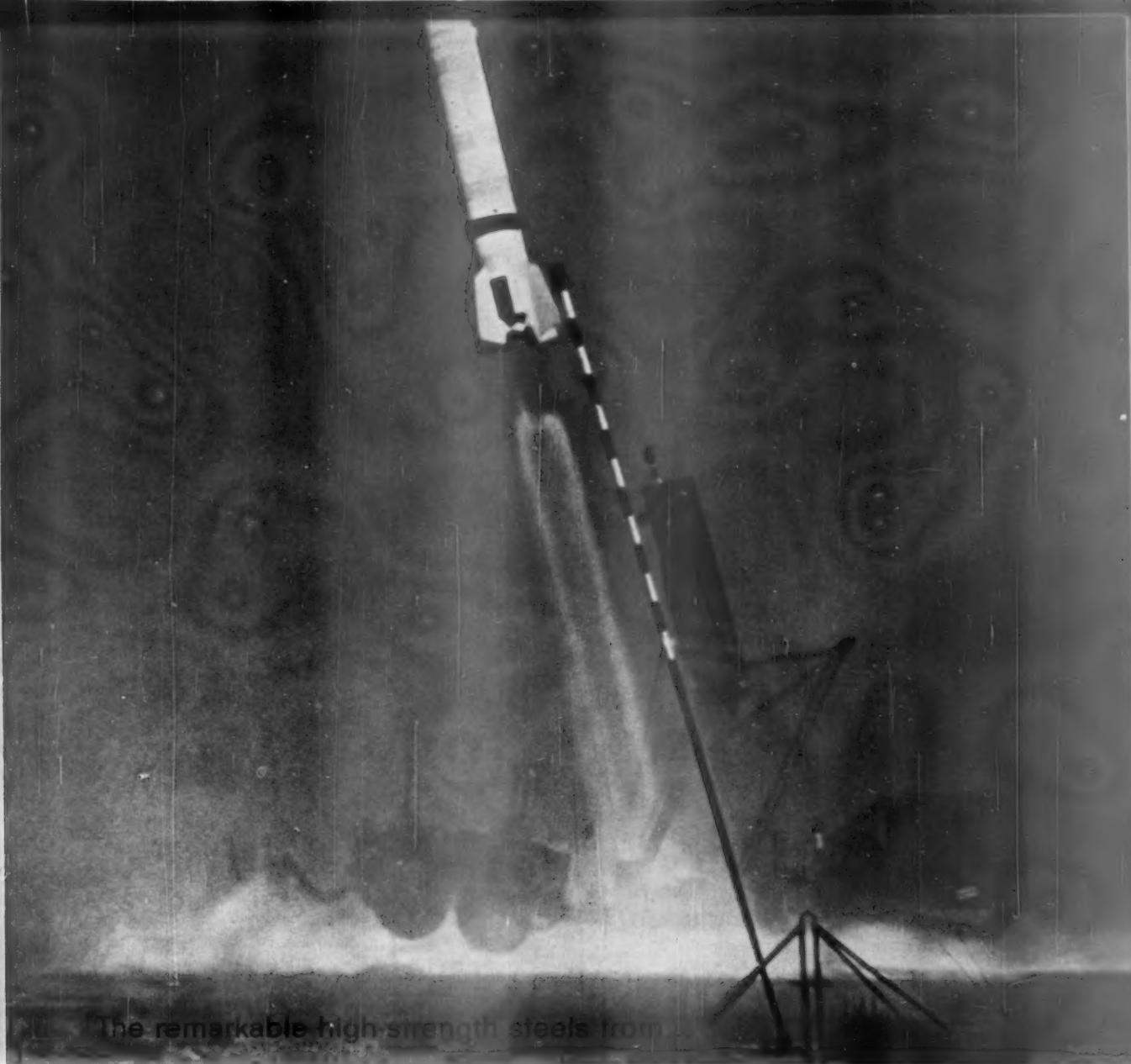
This means the two nominees, Thomas J. Donegan and Paul A. Sweeney, can serve interim terms as Federal Power Commissioners—at least until the change of national Administrations next January.

FPC Chmn. Jerome Kuykendall still is in trouble as a result of disclosures about private conversations and social relationships with gas industry representatives. Some powerful Congressional friends of the oil and gas industry wish that Eisenhower would withdraw the Donegan and Sweeney nominations and reappoint the ousted FPC member, William R. Connole to take the heat off their friends in the commission, including Kuykendall.

—•—

The spending fight about school aid heads for a climax. By the end of this month, the House Rules Committee is expected to turn loose a bill providing \$975-million in federal grants for school construction during the next three years. A big effort is under way to broaden the House bill by authorizing use of federal funds for teacher salaries as well as school building. The Senate has already passed such a bill.

Education lobbyists on Capitol Hill claim to have rounded up slightly more than 200 pledged House votes for their teacher pay amendment, but there is only slight chance that the bill—no matter what its final form may be—will survive the expected Presidential veto.



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Yet these remarkable N-A-XTRA steels are only a part of National Steel's increasing range of high-strength steels. Among the others are the widely used N-A-X High-Tensile and N-A-X Finegrain steels and the unique new columbium-treated GLX-W steels.

Together, these products of our Great Lakes Steel division put inestimable advantages at industry's beck and call, namely: greater strength with less weight, superior weld-

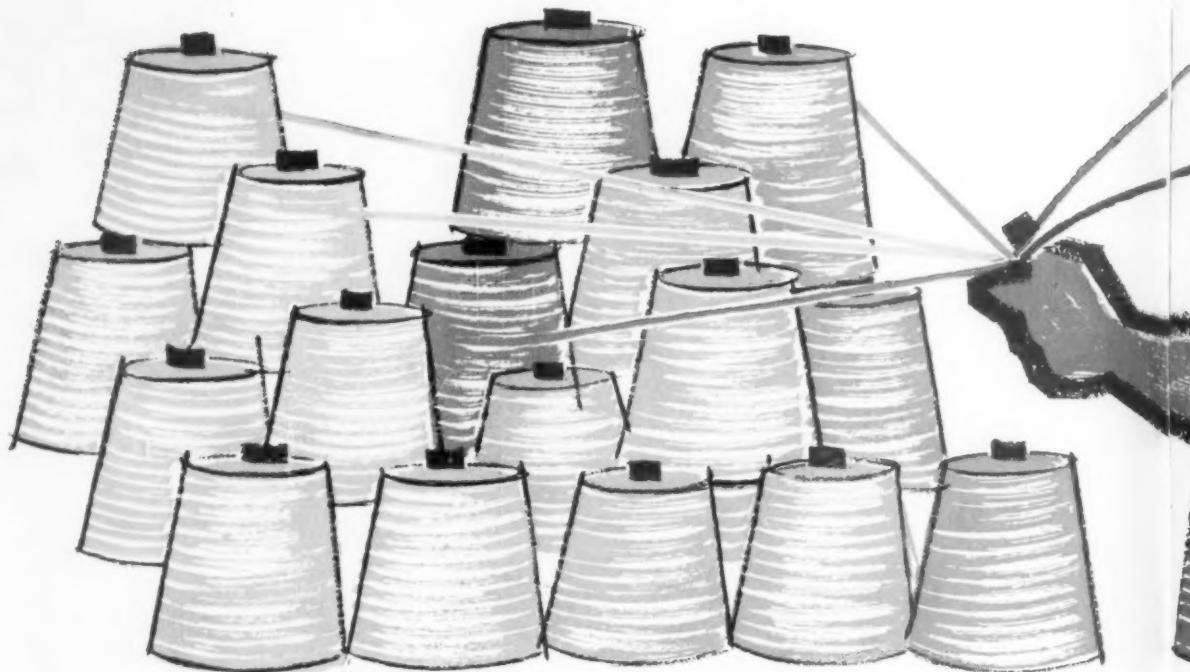
ability and formability, enduring resistance to corrosion or abrasion, as well as important cost savings with proper design. And there will be more. Still stronger, tougher, more dependable and useful steels are the continuing objective of National Steel's accelerated research program.

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GILLETTE announces the new Super Blue Blade that we believe to be the most important advance in shaving comfort within the past 20 years. This new Super Blue Blade around so much enthusiasm in our tests that we sincerely expect it to be one of the most talked about improvements in shaving history. When you try this new Gillette Super Blue Blade, you will discover shaving is so much finer and requires so little effort you might actually wonder if there is a blade in your razor. No matter how rough your beard or how tender your skin this new Super Blue Blade is unconditionally guaranteed to deliver the closest and most comfortable shave you ever experienced—regardless of what shaving method you have used in the past.

For the millions of shavers who find the long-famous Gillette Blue Blade so incomparably adequate for their shaving needs, we urge their continued use of it.

The Gillette Super Blue Blade has a radically new kind of shaving edge that requires extra precision. And this new blade is precision engineered to fit exactly all Gillette Razors. Because production is slower, the distribution of the new Super Blue Blade will be extremely limited in the immediate future.

The new Super Blue Blade is priced at 69¢ for a dispenser of 10. It is also available with the new Gillette Adjustable Razor set at \$1.95.

No words can tell you how fine this new Gillette Super Blue Blade is. You'll have to see it to believe it. So if your retailer is out of stock, write The Gillette Co., P.O. Box No. 4660, Boston, Mass., and we will send you two trial blades without charge.

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Remarkable New Blade Scores A Terrific Hit!

WE made our strong promises when we introduced the new Super Blue Blade a few years ago for the wave of enthusiasm coming from men who have told us the new Super Blue Blade has made good as every new razor. Blue Blade brings a degree of shaving luxury they never dreamed possible. Now more shavers have the new Gillette Super Blue Blade in stock. A dispenser of 10 costs 69¢. The new Super Blue Blade is also packed in the new Adjustable Razor set at \$1.95.

Remember it is unconditionally guaranteed to give you the closest and most comfortable shave you ever had and shave good in the field. And this new blade is precision engineered to fit exactly all Gillette Razors.

No words can tell you how fine this new Gillette Super Blue Blade is. You'll have to see it to believe it. So if your retailer is out of stock, write The Gillette Co., P.O. Box No. 4660, Boston, Mass., and we will send you two trial blades without charge.

What Words in an Ad Can't Say

Gillette thinks advertisers have so exhausted superlatives that only a whisper will now carry conviction for the public.

The series of advertisements above are part of Gillette Safety Razor Co.'s answer to a marketing dilemma: the debasement by modern advertising methods of the trade's one commodity—words.

Gillette's problem started when it developed a product that was everything that it had been saying about its old product over the years. On New Year's Day, Gillette officially introduced its Super Blue Blade, which it believes is a vast improvement over previous blades in its own or its competitors' line.

• **Agonizing Problem**—But the adver-

tising world has thumped the drum so long and loud for every minor product improvement, Gillette was at something of a loss to describe effectively what its own people knew they had: a truly superior product.

In the words of Vincent C. Ziegler, president of the Gillette division: "Over the years the language has been so beggared by extravagance that superlatives have lost their impact. We ourselves have not been overly modest in advertising our Blue Blades. Now we had a radical improvement. What do we do?"

Another Gillette executive put it this way: "Our problem was to figure out a way of telling customers, 'You've got to believe us, fellows. This time we really mean it.'"

• **Low-Key Ads**—The upshot is the

series of relatively quiet ads that try to sell the new Super Blue Blades in simple, black-and-white text without slogans, pictures, or the usual hyperbole. The theory is simple: If the public has been deafened and its credulity jaded by strident and almost hysterical claims, then perhaps the best way to get attention is to whisper.

A. Craig Smith, marketing vice-president, says, "We were anxious to be convincing and plausible, but still tell our story."

So they picked a type-face and a straightforward presentation to carry the message of the blade's superiority, admitting that "no words can tell you how fine this new Gillette Super Blue Blade is" and offering two trial blades free. (In its ads, almost as an afterthought, Gillette suggests that those

KELVINATOR Hot 'n Cold

BUSINESS
APPROVED

the year 'round



Business approves of the way this Kelvinator Hot 'n Cold A5PR-HC offers both piping hot and refreshing cold water for a wide variety of delicious instant beverages... a refrigerated compartment for several quarts, or 24 6-oz. bottles... and 48 cube ice service.

More than a seasonal convenience, this Kelvinator cooler works for you the year 'round... ends going out, or sending out... cuts overall coffee-break time 50% and more... improves production, boosts morale.

See for yourself. Send coupon for free Kelvinator booklet, "Modern Business Needs the Modern Coffee-Break" today.

Kelvinator

HOT 'N COLD

and Standard Water Coolers

Sold coast to coast—rented in many cities.
Distributed in Canada by Kelvinator of Canada Ltd.

KELVINATOR WATER COOLERS
Dept. 80, Columbus 13, Ohio

Rush my free copy of "Modern Business Needs the Modern Coffee-Break."

name _____
company _____
address _____
city and state _____

... there is nothing better than a friendly third party pushing your product for you . . .

(STORY on page 45)

who are still satisfied with the ordinary Blue Blades should keep right on using them.)

Gillette has carried this same idea of a muted message into its television advertising. Ziegler and Smith believe people have become particularly disenchanted by product boasting in TV commercials. To overcome that handicap, they picked four popular journalists—Frank Conniff of Hearst newspapers, columnist Earl Wilson, Cedric Adams of the Minneapolis Star-Tribune, and Quentin Reynolds—to tell of their experience with the new blade, again in a quiet manner without the TV pitchman's flamboyance. The company figures that the public places a good deal of confidence in these newsmen. The idea is that, despite the fact they are paid for their endorsements, they probably wouldn't take on such a commercial assignment if the product weren't good. At least, that's how Gillette thinks the public reacts.

• **Word-of-Mouth**—The TV endorsement campaign bolsters Gillette's third means of marketing its new product. This is a massive word-of-mouth advertising program launched out of supreme confidence that the new blade really is better. Gillette figured that if it could get a big enough nucleus of new blade users, they would urge others to use the blade and start a chain reaction. "There is nothing better than a friendly third party pushing your product for you," Ziegler observes.

Gillette has shipped its product to newspaper editors, TV executives, business and men's club officers, college senior class presidents and fraternity heads, top officers of major companies, to name a few. If they like the blade—and it is Gillette's belief they are bound to—then their recommendations will carry weight with acquaintances.

The company also got blades into the hands of the public by including them since December in every package of its adjustable razor, introduced last year.

• **Free Samples**—Now the company is geared up for another major promotion: saturating certain top markets with samples. To date it has tried to put a pair of blades in the hands of every shaver in four different average cities through an occupant-mailing drive. "Results," says Vice-Pres. Smith, "are extremely good." Sales have grown twice as fast in those four cities.

The next step is to saturate most of the major markets. Admittedly this will take a big hunk of money, but Gillette isn't a company to boggle at

high-priced promotion, particularly when it can be as certain of results as it thinks it is in this case. Besides, the longer the company waits to saturate the country, the more waste there will be, since more and more people will have already tried the blade. It boils down to a dollars-and-cents decision: Will the resulting spurt in sales followed by a much higher sales plateau, reached in a much shorter time, pay off in new profits over the long run? This week, with facts on the sample saturation tests still coming in, it was almost certain the answer will be "yes."

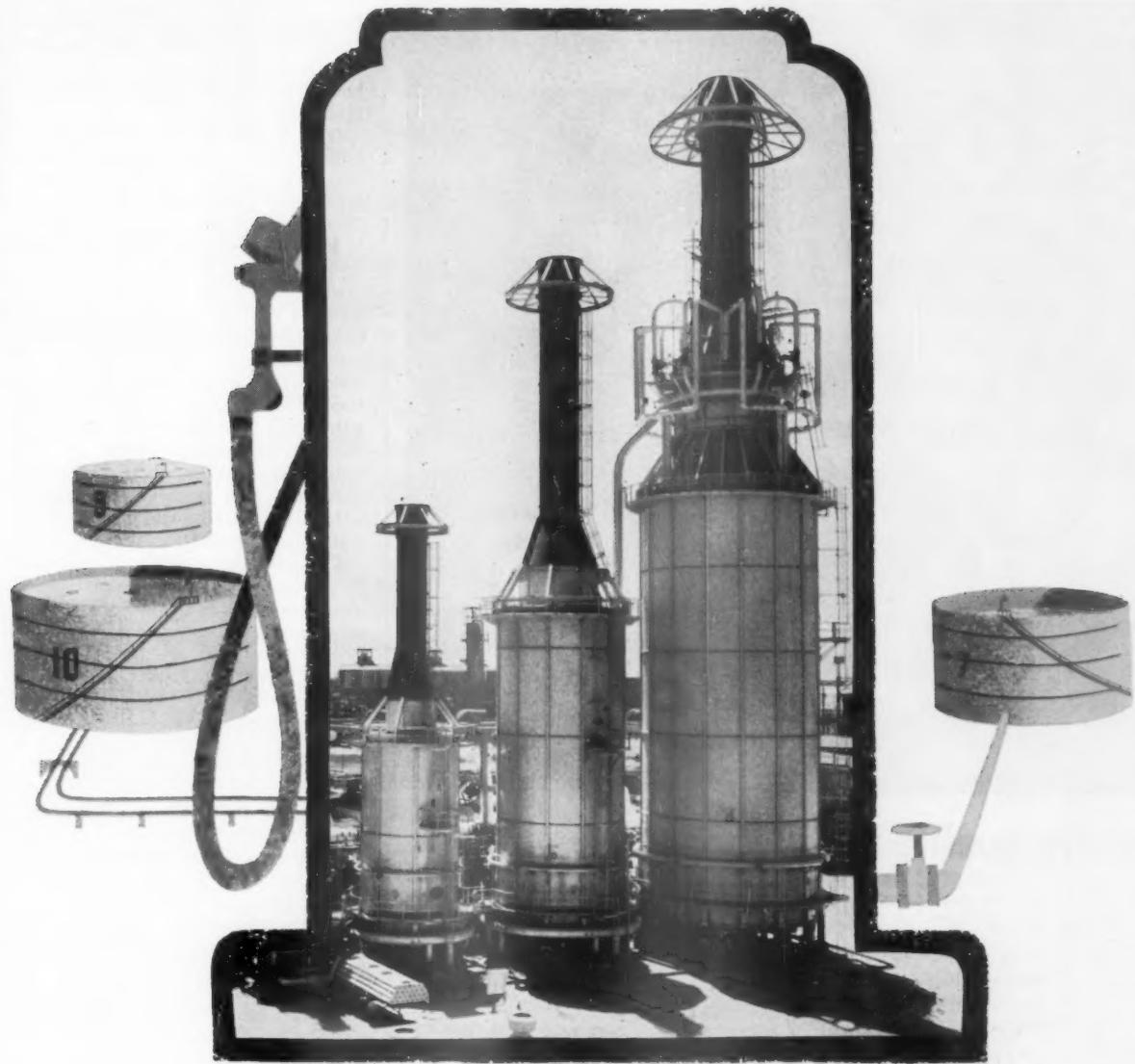
• **Increased Profits**—First-quarter earnings alone make it fairly obvious that the heavy promotional money Gillette is spending on Super Blue Blades comes back to the company in handsomely increased profits. The new blade is premium priced (69¢ for 10 against 49¢ for the older Blue Blade) and though Gillette says there is added manufacturing expense to achieve the much sharper edge, the margin is greater.

Sales in the first quarter rose 12%, from \$46-million in 1959 to \$51.9-million. Net profits were up 24%, from \$6.8-million to \$8.4-million. How much of the increases were attributable to the Gillette division with its new blade and adjustable razor the company won't say, except to admit they were an important factor. The company did report, however, that by May Super Blue Blades were accounting for 20% of its blade sales.

Gillette's decision to market the Super Blue Blade in its off-beat manner came about once management was certain the product was a major advance. The blade had been tested in the plant for years. Gillette is one of the few companies where employees are not only allowed but encouraged to come to work unshaven. They can shave at scheduled times under supervision of researchers. Out of the tests have come detailed data on skin, hair, and facial structure.

Once the new blade passed these tests, it went on the road last summer for further tests. "All this testing," says Ziegler, "merely confirmed something already apparent to us. We had a superior product." (Gillette won't say exactly what makes it so.)

• **The Launching**—Instead of waiting as it usually does for some special event to launch a new product, such as Father's Day (this year it is spending \$1-million for its four-week Father's Day promotion) or its broadcasts of the World Series games, Gillette decided to kick off its campaign Jan. 1, using



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Throughout the country, Yuba divisions serve the petroleum industry in many ways. Yuba's Petrochem Isoflow Furnaces (above) are so efficient there are more of them in service today than any other make. Yuba's heat exchangers, too, have for years set industry standards. And, today, Yuba leads the way with air cooled heat transfer equipment. Yuba Southwest floating roof tanks can now be erected almost anywhere. This service is available for towers, columns, and other steel fabricated equipment. In petroleum, as in many other of America's growth industries, Yuba delivers dependably, at most favorable cost.

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In the manufacture of medical tubing there is no margin for error... human lives hang in the balance. That is why manufacturers of medical tubing and apparatus have adopted VYGEN 120... the quality PVC resin that satisfies the rigid government specifications. VYGEN 120 is not just another quality resin, but one of a family of specialized resins developed and manufactured to meet the requirements of the processor and the demands of the end product. No matter what your processing requirement, you should look to the VYGEN family of PVC resins just right for every application. For complete information about VYGEN... or other General Tire chemicals for your industry write Dept. D today!

VYGEN® VYGEN 85—Recommended for calendering, extrusion and molding operations where processing at low temperatures is desired. VYGEN 105—For light-embossed sheeting and for molded items and extrusions requiring high gloss finish. VYGEN 110—General purpose resin for calendered film, sheeting and coated fabrics... molding and extruding. Excellent heat and light stability.



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Chemical Division • Akron, Ohio

Chemicals for the rubber, paint, paper, textile, plastics and other industries: GENTRO SBR rubber • GENTRO-JET black masterbatch • GEN-FLO styrene-butadiene latices • GEN-TAC vinyl pyridine latex • GENTHANE polyurethane elastomer • ACRIFLO styrene-acrylic latices • VYGEN PVC resins and compounds • KURE-BLEND TMTD masterbatch • KO-BLEND insoluble sulfur masterbatch

its sponsorship of the telecast of the Rose Bowl game as the launching platform. In addition, it added \$1.3-million to its printed media advertising budget to carry its low-key introductory campaign.

Now that the blade is well-launched, Gillette says it has no intention of changing the pitch of its promotion. Its newer campaign merely states, "You've got to try it; have you?"

• **Early Unorthodox**—Actually, Gillette is no stranger to fresh advertising approaches. The current campaign, in fact, harks back to the 1930s when Gerard B. Lambert, who invented halitosis and the Listerine to cure it, took over as Gillette president at a crucial time. He gets credit for taking Gillette's blades, making them blue to distinguish the new product, and then frankly admitting in ads that past products were poor quality, but now Gillette had something really good. It was a startling approach.

Certainly not a little of the confidence that Gillette's present management has stems from the success of the company in the intervening years. Today it has considerably more than 60% of the wet-shave market with record sales in 1959 of \$209-million, including foreign operations in almost all the free world. Its Gillette division accounts for about 65% of those sales, followed by its Toni line of feminine products (26%), and Paper Mate ballpoint pens (9%), both of which share in the company's large advertising budget. That amounted to 17% of its net sales, or \$35.7-million, in 1959.

• **Sportscaster**—With this kind of money at its command (which helps provide an enviable 15% return after taxes), Gillette just about dominates the world of sports with its commercial sponsorship. This year it has wrapped up a new package for its Cavalcade of Sports. For \$3,750,000 a year, it renewed its contract with NBC through 1966 for the World Series and All-Star games (it began broadcasting the series on radio in 1939 and on TV in 1947). It also signed a year-round sports coverage with ABC-TV to include 12 National Collegiate Athletic Assn. football games, a game-of-the-week baseball telecast, and starting Oct. 8 professional boxing Saturday nights to continue its long-time weekly fight program, which NBC is dropping.

This year, in a departure from past practices, Gillette's agency, Maxon, Inc., is arranging to share some of the sponsorship of these programs with other advertisers besides Gillette's brother and sister products, Paper Mate and Toni.

This will leave Gillette one of the nation's biggest advertisers (21st, according to figures compiled by Advertising Age). **END**



JUST ONE THING HERE CAN'T BE COPIED.

Some copying machines coldly refuse to recognize certain colors, shades and markings. The A. B. Dick Model 101 Photocopier, by contrast, is without bias. It'll copy letters, charts, checks, invoices—most every form and document your office uses. About the only thing that can't be copied is its performance at its price of

\$9950

Price shown is manufacturer's suggested retail price subject to change without notice. Other models also available.

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 **A-B-DICK**
DUPLICATING PRODUCTS



One of the largest and most difficult of some 600 stamped parts produced at Chrysler Corp's. Twinsburg (Ohio) Stamping Plant, rear quarter-panel of

Plymouth two-door hard-top shows performance results of Pittsburgh Steel's drawing quality sheet under tough forming conditions.

Pittsburgh Steel Sheet Helps Chrysler Corp. Build 'Solid '60' Plymouths

There's more than meets the eye in the distinctive fin styling on the "Solid '60" Plymouth.

First, they're no longer simply fins—they've been given a performance job in Chrysler Corporation's new "unit construction" assembly to help reduce driver steering effort in normal highway travel.

Second, there is another performance story behind the aero-dynamic sweep of Plymouth's rear quarter-panel of which the stabilizer, or fin, is a part. It's the performance of Pittsburgh Steel Company's cold rolled sheet under stress of severe deformation

in a complex die-forming operation.

Pittsburgh's drawing quality steel used for this part must, at one time, produce a deep curved draw for the panel's saddle, a shallow draw for the wheel housing and a severe dog-leg draw for the tail light area.

Simultaneously, it must have sufficient ductility to prevent buckling in the drawn areas and uniform flatness to achieve a stiff panel which resists a "pop-pop" oil can effect under pressure. Otherwise, an additional operation would be required.

Finally, the formed panel must emerge without flex marks, strain

marks or breaks to provide a mark-free surface ready for finishing.

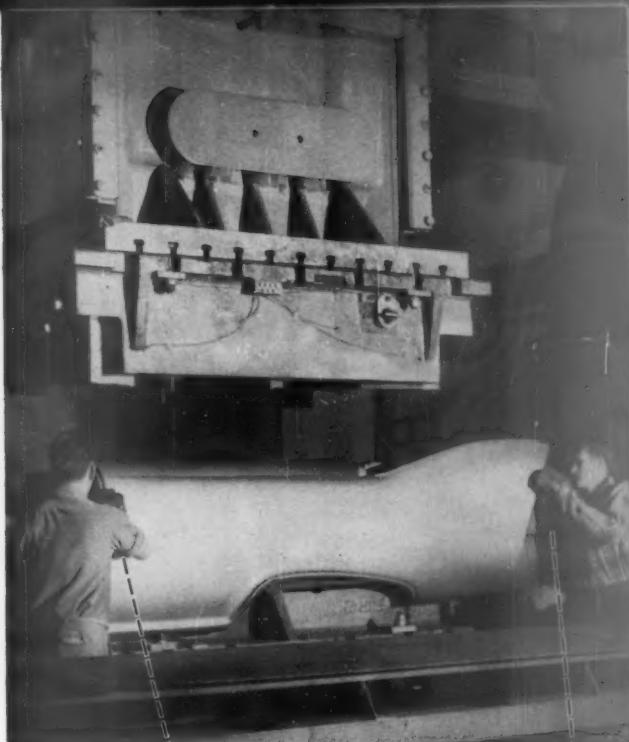
Pittsburgh Steel each day proves its drawing quality sheet can perform within these rigid requirements at Chrysler's big Twinsburg (Ohio) Stamping Plant where some 600 stamped parts are produced for all Chrysler "big car" models.

Besides being one of the most difficult parts to form, the rear quarter-panel (rear fender) of Plymouth's two-door hardtop is one of the largest stamped parts produced at Twinsburg.

To meet the performance standards established by Chrysler, the steel is precisely



Steel blank measuring 110 by 47 by .041 inches is fed into big toggle press above for die-forming operation that will produce basic shape of rear quarter-panel. The ductility and the flatness of Pittsburgh Steel's cold-rolled sheet are critical here due to severe deformation. Drawing quality sheet, with properties metallurgically matched to forming requirements, produces this sleek panel (right) that provides distinguished rear quarter styling and stabilizing feature for Plymouth's 1960 two-door, hard-top model (below).



The "Solid '60" Plymouth Fury.

controlled from open hearth to temper mill by Pittsburgh Steel's veteran steelmakers. They achieve the chemical composition, ductility, hardness, grain size, flatness and finish required in steel to form the part.

And that's where Pittsburgh Steel's field metallurgists also serve Chrysler — by studying every die-forming operation to determine exact properties required to achieve peak performance in the stamping process, in assembly and ultimately on the road.

The result: steel with met-

allurgically controlled drawing qualities matched to the part's forming problem.

The performance benefits of Pittsburgh Steel's drawing quality sheet will work for you, too.

Metallurgical practices and services developed by nearly 60 years of steelmaking experience enable Pittsburgh Steel to produce flat rolled with the precise properties your operation requires.

Pittsburgh Steel Company

Grant Building

Pittsburgh 30, Pa.

DISTRICT SALES OFFICES					
Atlanta	Cleveland	Detroit	Los Angeles	Pittsburgh	
Chicago	Dayton	Houston	New York	Tulsa	
			Philadelphia	Warren, Ohio	





BOBBIE BROOKS' Pres. Saltzman extols new line of young adult fashions. His pitch: "Junior" is a style concept, not just a size.

Teenage Styles Make a Big Hit

Designing junior-size clothes that reflect the age of the young adult is a \$35-million business for Bobbie Brooks.

The parading models (pictures) don't precisely embody the hobby-socks, blue-jeans, and bubble gum look that is the common conception of today's teenage girl. But to clothes manufacturer Bobbie Brooks, Inc., today's teen is cut from a different bolt: She's a girl with nonstop energy, bucking hard for recognition, dates, sophistication, and more than all else a place in "the crowd." Pursuit of this concept has put the Cleveland manufacturer close to the top in the women's wear field.

Estimated sales for the year ended Apr. 30, 1960, are over \$35-million, against \$25-million the previous year. Net income, too, soared. For the three quarters ended Jan. 31, 1960, it was \$1.3-million, up from \$801,300. That sales volume was second only to Jantzen, Inc., which rang up \$50-million last year. However, Jantzen's main line is swim suits, a field that Bobbie Brooks has no stake in. Next closest in the junior field is Jonathan Logan, Inc., with sales of \$26.5-million in 1959. Acquisition of Youth Guild, Inc., two weeks ago will push Jonathan Logan's volume up, however.

• **Break in Tradition**—Bobbie Brooks credits its growth to a concept that is gaining momentum in "junior" wardrobe retailing. The idea: Junior ready-to-wear should reflect the age of the buyer, not just a size. The company claims that this thinking has meant four breaks in industry tradition:

- Bobbie Brooks styles its fashions for a specific young adult buyer (15-24 years). For many manufacturers, the term junior, while it implies stress on young styling, is a size concept—regardless of the customer's age.

- For this customer, Bobbie Brooks has a complete wardrobe: sweaters, skirts, blouses, suits, dresses, play-clothes. Most manufacturers specialize in one or two types of garments.

- Along with the complete wardrobe idea, Bobbie Brooks stresses a complete line of coordinates; items designed by color, pattern, and fabric to blend with other items. The company does not claim credit for inventing coordinates, but believes it has carried the idea farther than most manufacturers.

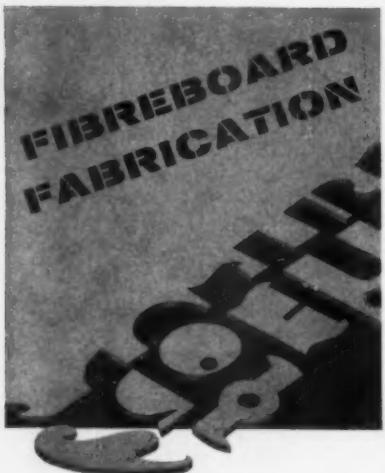
- Growth for Bobbie Brooks started in the smaller, independent specialty outlets and worked up to the major department stores. Many manufacturers hit the big stores first, broaden



MARKETING Vice-Pres. Kamberg (left, above) chats with Saltzman during break in show. The line includes sweaters (below), blouses, dresses, suits, and sportswear. Broad line helps promote company's aim of a single young adult department.



product costs getting out of hand? look at...



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A wide variety of special new grades, thicknesses, surface textures, and COATINGS impart miraculous new qualities to Fibreboard, including waterproofing, fire retardence, and surface hardening.

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Send for **FREE** explanatory booklet or write describing your fabrication problems. Industrial Division, The Upson Company, 650 Upson Point, Lockport, N.Y.



*50th YEAR

out by way of smaller specialty stores.

- **Trademarks Abroad**—Recently, the company has added another strand to its marketing chain: wide-scale foreign production. Once its trademarks are registered abroad, it will begin licensing manufacturers in Canada, Mexico, and 20 countries overseas to use the Bobbie Brooks trademark, styles, and merchandising policies on a royalty basis.

I. The Marketer's Delight

Maurice Saltzman, the savvy, hard-nosed merchandiser who heads up the concern, talks of sales of \$51-million by 1962. In his offices, he races around like a man who has five minutes to catch the last bus home. Except in marketing, he exercises heavy-handed, one-man rule. In marketing, Vice-Pres. Burton Kamberg has held sway since he came to the company in 1956.

On many counts, the young woman Bobbie Brooks caters to is the marketer's delight.

First, of course, is sheer numerical strength. Bobbie Brooks actually has less than 2% of the young adult market. As the postwar babies push up into the 15-24 age group, the doors to growth swing very wide.

- **She Has Money**—Second is its dollar strength. Various estimates put teen-age spending alone at \$1-billion a year, and the whole group, it's estimated, spends perhaps \$2-billion. "Although this girl accounts for only 7% of the population," Saltzman says, "she's responsible for 16% of total apparel sales." She has a liberal allowance. There are more part-time and full-time jobs open to her. Her per capita spending—according to independent market studies made for the company—indicates that the average high school girl pays out around \$170 a year for clothes and accessories; the college freshman spends about \$340.

The life she leads explains this. "She buys because she has a very heavy wardrobe turnover. She dates much earlier than her mother did. If she has an average, active social life, she'll have a wardrobe change maybe once a year. A mature woman will go three or five years on the same closet of clothes," Saltzman believes.

Furthermore, he adds, "you're dealing here with the most style-conscious segment of the apparel market. She likes to think, feel, and talk like her age group. She'll even insist upon buying the identical item that others of her age are wearing."

II. Retail Barriers

All these factors make the young adult market just so much gravy to the manufacturer who can get to her. But Bobbie Brooks had first to knock down

a lot of retail barriers to catch her.

Many department stores have three or four departments—"high school," "college," "junior," "miss"—all handling similar or duplicate styles but different sizes. A junior might be any short-waisted, small-busted woman, age 11 and up. Miss sizes could go on to the more mature, longer-waisted woman, regardless of age. What Bobbie Brooks is after is a single "young adult" department that will have all the sizes—and all the items—that make up a complete wardrobe for the 15-24-year-old. By splintering this market into various departments by size, as often happens, Bobbie Brooks feels retailers are pulling apart an otherwise well defined demand. And, by splintering by items—sweaters in one department, skirts in another—they weaken the lure of "coordinates."

- **Closed Ranks**—Not all manufacturers or retailers go along with the style concept as the marketing base. Some stores who cater to older women, for example, find that this market increasingly wants the styling of the younger groups, as long as the size is right. In every age group, too, there is the atypical size—the large young women, the chubby teenagers—to whom size is a vital factor.

When Bobbie Brooks started in business 21 years ago, department stores held out small prospects. With their departmentalization, they weren't set up to cope with the young adult department idea. But the smaller stores were more flexible. For one thing, they had to be. They often didn't have the space to departmentalize to the extent the big stores did. So Bobbie Brooks took the smaller store as its first target.

Within the past few years, Bobbie Brooks notes a change. Department stores are increasingly swinging to their approach, it reports. Consolidation of several departments into a single one cuts duplication of space and stock.

Here's where the broad-line manufacturer has an obvious edge over the specialist. It's not only a marketing edge. Diversity protects the company from swings of fashion. "Suits were very good sellers for several years," says Saltzman. "Then our volume of suits almost dried up. Now, it's just coming back again. A cycle like that could cripple a manufacturer in a single line."

- **Close to Market**—It was the advent of Kamberg to the company that brought the big push to the giant retailers. To get closer to the big market, Kamberg began to decentralize the sales force. First he broke it up into regions, with regional offices and showrooms in New York, Atlanta, Chicago, Dallas, and Los Angeles, as well as Cleveland. Some 65 salesmen are headquartered in the regional offices. Then he decentralized again by opening six local sales offices and showrooms in St. Louis, Detroit, San Francisco, Kansas City, Min-

hoover quality

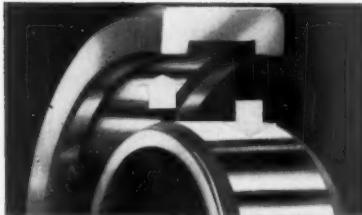


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Hoover Honed rollers are crowned to provide uniform load distribution and reduce friction. Cool running, they permit high speed operation under heavy radial loads.



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BW-5

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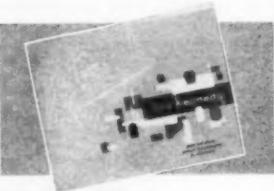


Engineered with imaginative design and manufactured to exacting standards, every film package from Kennedy is designed for the job it has to do. Ask us to show how we can design or redesign your packages to better

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Offices in most principal cities. See the yellow pages in your phone book.

neapolis, and Memphis. Eventually, the plan is to expand these to 12 or more.

This decentralization put the salesmen—and the line—close to the big stores. And more began to buy.

Saltzman still considers the small independent as Bobbie Brooks' bread and butter. Of its 6,000 outlets, he says, not one accounts for more than 1.5% of his business. But, Kamberg points out, there's a constant turnover among the smaller stores. You need volume buyers in volume areas.

There are no exclusive franchises for the Bobbie Brooks line. It falls in the popular-priced range, with dresses averaging from \$10 to \$25 at retail, suits from \$18-\$25. Saltzman hopes for 2,000 more outlets by 1962.

III. Behind the Lines

Although New York is not the company's base, it has become the design center. Among the staff of 50 in New York—mostly salesmen—there are a merchandise manager, a designer, and a designing staff for each of the five divisions: dresses, sweaters and knitwear, coordinated sportswear, blouses and skirts, and suits.

Once the designer comes up with a marketable line and the merchandise manager in his division approves it, the garments go before a style committee, consisting of Saltzman and the five division merchandise managers. If it wins clearance here, the regional sales managers throw in their ideas. Then it goes into production in one of the company's 46 plants—of which 11 are owned outright. About 55% of the garments are made in Bobbie Brooks' own factories. The company hopes to boost this ratio; in the last year, it doubled its own capacity to over 500,000 sq. ft.

• **Promotion Plus**—A hefty promotion program helps keep the line moving. Much of this—60% of its budget—goes to point-of-sale displays and the like.

Again, the narrow age band helps. "Because we are aiming at 7% of the population," Kamberg says, "we can reach our market with a relatively light media budget, aimed at a handful of the top books—such as *Seventeen*, *Charm*, *Mademoiselle*, and *Glamour*."

The company has a home economics program, which works through high school courses on such subjects as good grooming and "buymanship." Materials used in some 17,000 schools, says Saltzman, include Bobbie Brooks' booklet, *Wardrobe Magic*, and other material.

The company insists it has no crafty design secrets to capture its market. Mainly, its designers stay away from the revolutionary and the untried. "Our styling," says Kamberg, "is like our whole concept of selling: Keep in the heart of the melon; don't go near the rind." **END**

Plain talk about machine dictation:

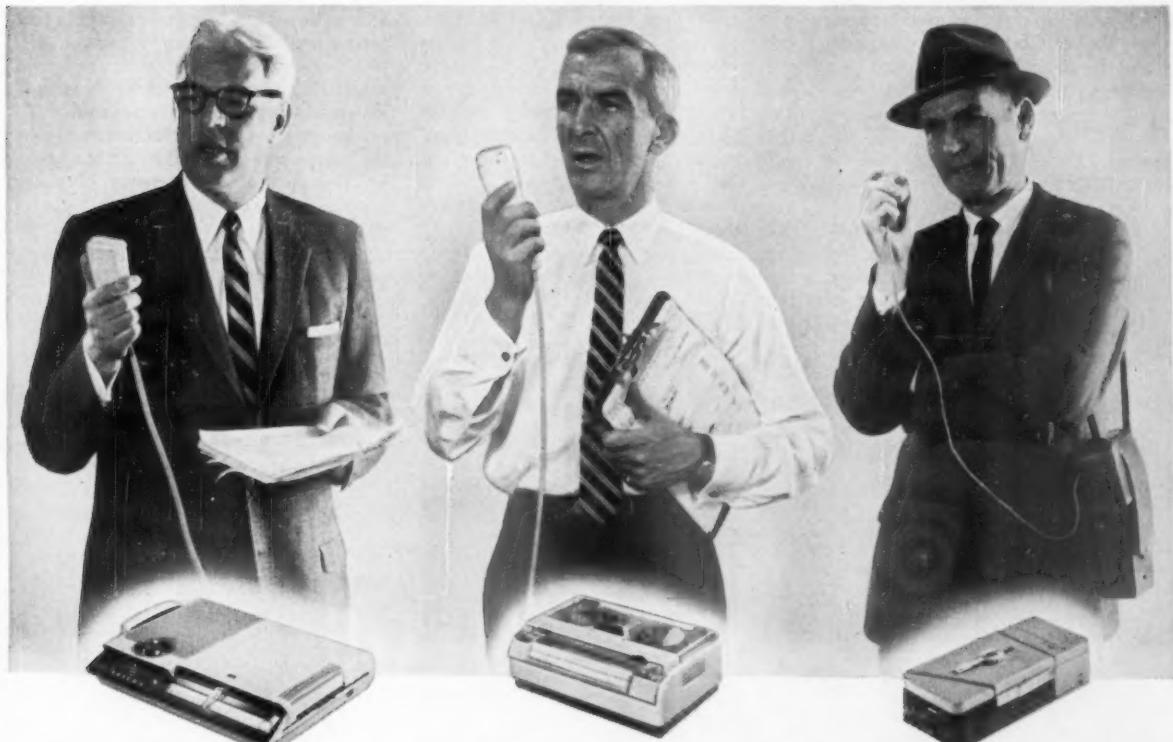
"How can I justify the purchase of a dictating machine?"

If a \$7,500-a-year man dictates only 5 letters a day, Edison Voicewriter's best models, for him and his secretary, will pay for themselves in just under 14 months!* And not only is he dollars—and hours—ahead on paperwork each day, but best of all, he has more time to think, more time—and the means

—to easily get all his good ideas down on paper.

Check the full Edison line—backed by the most respected name in the industry, and by the nationwide Edison Voicewriter service organization—for the Edison system that will give *your* organization tangible profits and greater efficiency.

*Figures are substantiated by thousands of Edison correspondence surveys.



"With my Edison Voicewriter, I get correspondence out twice as fast..."

Busy executives agree the full-featured Voicewriter helps get all written work down on paper faster. It's like an extra right hand . . . clears the desk for creative thinking. And it's always available, too . . . even for dictating after hours, at home or in the car.

"With my Edison Envoy, I talk away my work . . . on magnetic tape at a very low cost!"

New Edison Envoy is a compact magnetic tape dictating-transcribing machine *designed* for hard business use. Ideal for recording interviews . . . telephone conversations . . . for dictating correspondence, reports, memos. Enables *anyone*, even the small businessman, to enjoy the convenience of machine dictation on a modest budget.

"With Midgetape, I get all the facts right . . . on the first try!"

The battery-operated portable Midgetape weighs only 3 lbs. Records on tape anywhere. Ideal for verbal note-taking . . . for recording interviews and sales meetings . . . as a sales training tool. Beats long-hand note-taking by a *mile*—for speed, convenience, accuracy and completeness!

Get the full story—Mail coupon today for further details on Voicewriter dictating systems, and how they'll meet your own special needs.

Edison Voicewriter

A product of Thomas A. Edison Industries,
McGraw-Edison Company, West Orange, N.J.
In Canada: 32 Front Street W., Toronto, Ont.



To: Edison Voicewriter (BW-514), West Orange, New Jersey
I want the whole story on Edison Voicewriter systems . . . and how they can help me in my work. I'm interested in
 Voicewriter; Envoy; Midgetape.

Name _____ Position _____

Organization _____

Street _____

City _____ Zone _____ State _____

Paint Maker Casts Eyes Abroad

Rust-Oleum Corp. will use its new plant in the Netherlands to tap the potential created by the European Common Market.

Somewhat like a tourist getting set for his first trip abroad, Rust-Oleum Corp. is busting with final preparations for an invasion of the European Common Market.

This summer, along with the formal opening of a plant in the Netherlands, 17 of the company's key marketing men will follow a carefully planned course through the six Common Market countries and the seven in the European Free Trade Assn., to acquaint 16 European distributors with Rust-Oleum selling techniques.

• **Foreign Push**—This is no sudden whim of the Evanston (Ill.) manufacturer of rust-inhibitive paint. Pres. Robert Fergusson and his brother Donald (picture), who own and operate the company, have been planning the drive for two years, and the new plant at Haarlem—20 min. from Amsterdam—is already at work. Eventually, it will

service 85 foreign industrial distributors.

Nor is Rust-Oleum any stranger abroad. Its products are used in 60 countries. Its foreign representatives have been selling for a decade in the Far East, the Middle East, and Europe, and most of the distributors whom its men will visit have been handling its products for the past year. The company had its first foreign sales in Britain in 1938, but this year will see the first concentrated push in a foreign area.

• **Briefing**—The marketing men who will carry Rust-Oleum's banner have been burning the midnight oil for six months—studying foreign languages, customers, and special demonstration kits. Just before they sail June 10, they'll be briefed on marketing situations and account activities in the countries they will visit.

In Europe, they'll visit a succession of assigned market territories to set up basic selling programs—a sojourn of one to two months for each man and in some cases longer. Total tab for the project will run about \$175,000.

The Haarlem factory that will launch

Rust-Oleum's first manufacturing venture away from its home represents an investment of about \$200,000. The 30,000-sq.-ft. building, with a capacity of 2,000 gal. a day, is being leased, but Rust-Oleum expects to build eventually. The plant will hire only 12 to 18 men at the start.

I. Why Europe?

Going to Europe was Robert Fergusson's idea. More than 90% of Rust-Oleum's production in the Netherlands will be exported to other countries. In such a situation, Robert Fergusson says, you pay duty on what you import in proportion to actual sales in the Benelux countries. Another advantage to working out of the Netherlands is that the country is acting through its banks to convert the soft currency of other countries at favorable rates.

• **First Team**—As their plans began to take shape, the Fergussons checked over problems and prospects with the Netherlands-American Institute and with officials of other companies experienced in foreign markets. One thing they learned, says Robert Fergusson, is that you have to use your first team in overseas selling. "The markets are big, the need is there, and Europe is growth-minded," he says. Donald Fergusson elaborates: "We sell service. We go out and commit ourselves on a method, analyze conditions, and give a complete program." And demonstration, always an important point in the company's selling, is relatively new in Europe.

But there's one problem no friend can do anything about. That's the problem of time. The first job in the new plant is to have 130 products ready for mass shipment within a month. Then follows the campaign to convert the merchandising methods Rust-Oleum has learned over a quarter-century into a marketing program for the European distributors. "Without this sales force going over," says Donald Fergusson, "it would take us 10 years to do what we're doing."

The campaign may bring another, not unwelcome problem. Donald Fergusson is skeptical about the Haarlem plant's ability to keep up with foreign demand. Sales abroad are expected to triple in a year. A production cycle—enough to fill comfortable demand on all of the product line—takes a month. Rust-Oleum plans to increase the initial Haarlem output sixfold soon.

• **Potential Market**—Rust-Oleum products may be applied to wood and masonry, in addition to metal. But their largest use is on steel surfaces, where



PRES. Robert Fergusson (right) and brother Donald confer with Thomas Martin (left) a factory representative in northeastern Pennsylvania, on plans for new Haarlem plant.



YOU GET COMPLETE INSPECTION WHEN YOUR "SPECS" READ HYATT

Hyatt Hy-Roll bearings are constantly checked through every stage of production. But performance is the payoff. And, that's why Hyatt insists . . . without exception . . . that every metric series Hy-Roll bearing be run on a special fixture to check noise level as a final test for quality. It's another of the many secrets of Hyatt reliability. Hyatt Bearings Division, General Motors Corporation, Harrison, New Jersey.

HYATT **HY-ROLL BEARINGS**

IN ROLLER BEARINGS HYATT IS THE WORD FOR **RELIABILITY**



TO A CHEMICAL COMPANY THAT HAS NEVER USED AN ALDRICH PUMP

If you are looking for sustained pump performance, minimum maintenance costs, or a solution to a tough pumping problem, these four facts about Aldrich and Aldrich pumps will be helpful to you.

ONE. At Aldrich, we specialize in high-pressure pumps for the process industries. No one knows the problems of pump wear, pressure, temperature, corrosion, abrasion and viscosity, and the urgency of dependable pump operations in these fields, as intimately as we. And no one has worked with as many special fluid-end materials, or hard-to-handle liquids—alkaline and acidic—as we.

TWO. What seems like an exceptional pumping problem to you has probably long since been worked out by us, so we can supply standard Aldrich pumps for many specialized needs. If not, we promise that the finest minds in pump engineering will tackle your problem, and solve it.

THREE. Any Aldrich customer (and our list includes the biggest names in your field) will tell you we make a fetish of service. We stock parts for all of our standard pumps and give top priority to parts for special pumps.

FOUR. The number of pumps you may purchase from us is not half as important to us as the fact that any Aldrich pump you buy will perform as promised.

It will pay you to know more about the Aldrich line. Why not write for our catalog? Aldrich Pump Company, 10 Gordon Street, Allentown, Penna.

The tough pumping problems go to



... the Fergussons are out to defeat the very thing that keeps them in business . . .

(STORY on page 58)

basically they do one of two things: They go on either a sound, rusted surface to halt rust and absorb what's there, or on a non-corroded surface to prevent it. In either case, penetration into the pores of the steel removes oxygen and moisture, the company says, and pigmentation prevents further corrosive action. So, the paint is of special interest where there's a shortage of steel and trouble importing it, the Fergussons say.

The Fergussons point out that the Common Market countries—France, Belgium, Western Germany, the Netherlands, Italy, and Luxembourg—contain 170-million people. The Free Trade Assn. group—Austria, Denmark, Norway, Sweden, Portugal, Switzerland, and the United Kingdom—have 90-million. Furthermore, the two groups encompass close to 400 primary marketing centers, including 10 cities with populations of over 1-million.

II. Marketing Plan

To study its foreign marketing potentials, Rust-Oleum is breaking them down by metropolitan areas and countries—in many cases ferreting out marketing data for the first time. In the U.S., the company uses a county-by-county breakdown, easily stepped up into metropolitan areas from information already available.

The idea for a special task force developed about 1½ years ago. The 17 men tapped for the job are key men among the nearly 100 on Rust-Oleum's sales staff. Most have engineering backgrounds. After the opening ceremonies in Haarlem June 21, they will go to their territories for a briefing with distributors and salesmen. After that, they'll accompany salesmen on a series of calls on potential customers. "What we're trying to do," Robert Fergusson says, "is take our top talent and skills to the distributors."

Rust-Oleum plans eventually to open markets in Spain, Greece, and other countries that have a dollar shortage. The brokers have formed Rust-Oleum (Nederland) N.V. to operate the new plant, and later this year will set up Rust-Oleum International S. A. at Zug, Switzerland, to direct foreign merchandising activities.

• **Company Goal**—Figures on dollar volume are about as closely guarded as the basic formula for the product, developed by the Fergusson's father, a sea captain, also named Robert. However, it is known that sales are going up at a rate of about 20% a year. Last year,

6% of total sales were outside the U.S. and Canada. (The company will put its next plant in Canada, and already has incorporated Rust-Oleum Canada, Ltd.) Rust-Oleum hopes that the Haarlem plant will bring foreign sales, including Canada, to a fifth of domestic volume.

III. Race With Rust

The Fergussons are out to defeat the thing that keeps them in business. Their race with rust—a \$7-billion item on the nation's expense account—has intensified steadily since the company was incorporated in 1931. But it dates back to the years when their father was working out a formula to eliminate tackiness and odor in the fish oil that was the original shipboard rust preventive. Later, engineers showed Capt. Fergusson how the rust inhibitor could be applied elsewhere—by utilities, sugar mills, railroads, for example.

It's doubtful, however, that Capt. Fergusson—slapping test patches on old ships at New Orleans—could foresee the extent of today's market, or the color and variety of product line any more than he could have guessed that there would be a "launcher yellow" especially designed to save maintenance time on rocket flame buckets at Cape Canaveral. On the Cape launching pads, ordinary paint will char and get sticky under the extreme heat of a firing. It used to take from seven to 10 days to prepare the launcher for reuse. Rust-Oleum developed a paint that will powder and can be washed off easily.

• **Family Secret**—Processing of the vehicle (the mixture before the pigment is added) is Rust-Oleum's secret, and the brothers—who own the company 50-50—are the only ones who know the formula. It changes occasionally, but the mix man who measures pigment and vehicle gets his formulation card in code. Even when Rust-Oleum commissioned Battelle Memorial Institute to test the degree to which its products penetrated rust layers on steel, the fish oil-based vehicle was supplied by the company.

Nowadays, the company speaks of "systems" and "new color horizons." New materials have become available and new applications worked out. "We've grouped the different materials into families," says Robert Fergusson, "and we've upgraded the line where appeal is concerned." Today upgrading is a necessity—for other paint manufacturers have rust-deterring paints that give Rust-Oleum plenty of competition. **END**

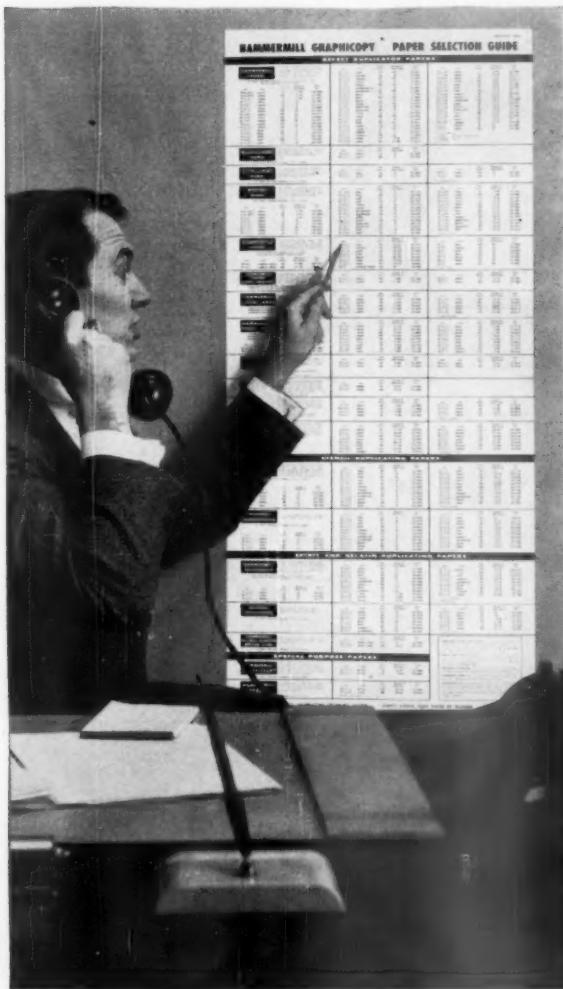
Any number wins when you order from the new HAMMERMILL GRAPHICOPY PAPER SELECTION GUIDE

Don't gamble. Don't guess. Simply run your finger down the new Guide and choose the right Hammermill Graphicopy Paper for your printing, duplicating and office use.

Then pick up the telephone, call your nearby Hammermill supplier and give him

only the Hammermill Graphicopy number.

For example, "10-018". That stands for Hammermill Bond, 8½ x 11, white, 3-hole punched, substance 20. You won't even have to mention the grade, size, color or weight of the paper you want. Just the number. Easy?



New 1960 Graphicopy Guide makes handy 11 3/4 x 27 3/8 wall chart. One glance tells you the paper you need — and its order number. Re-ordering is easier, too.



If your walls are already spoken for, the Graphicopy Paper Selection Guide will fold into a file-size or drawer-size piece. Top-edge title is easy to spot.



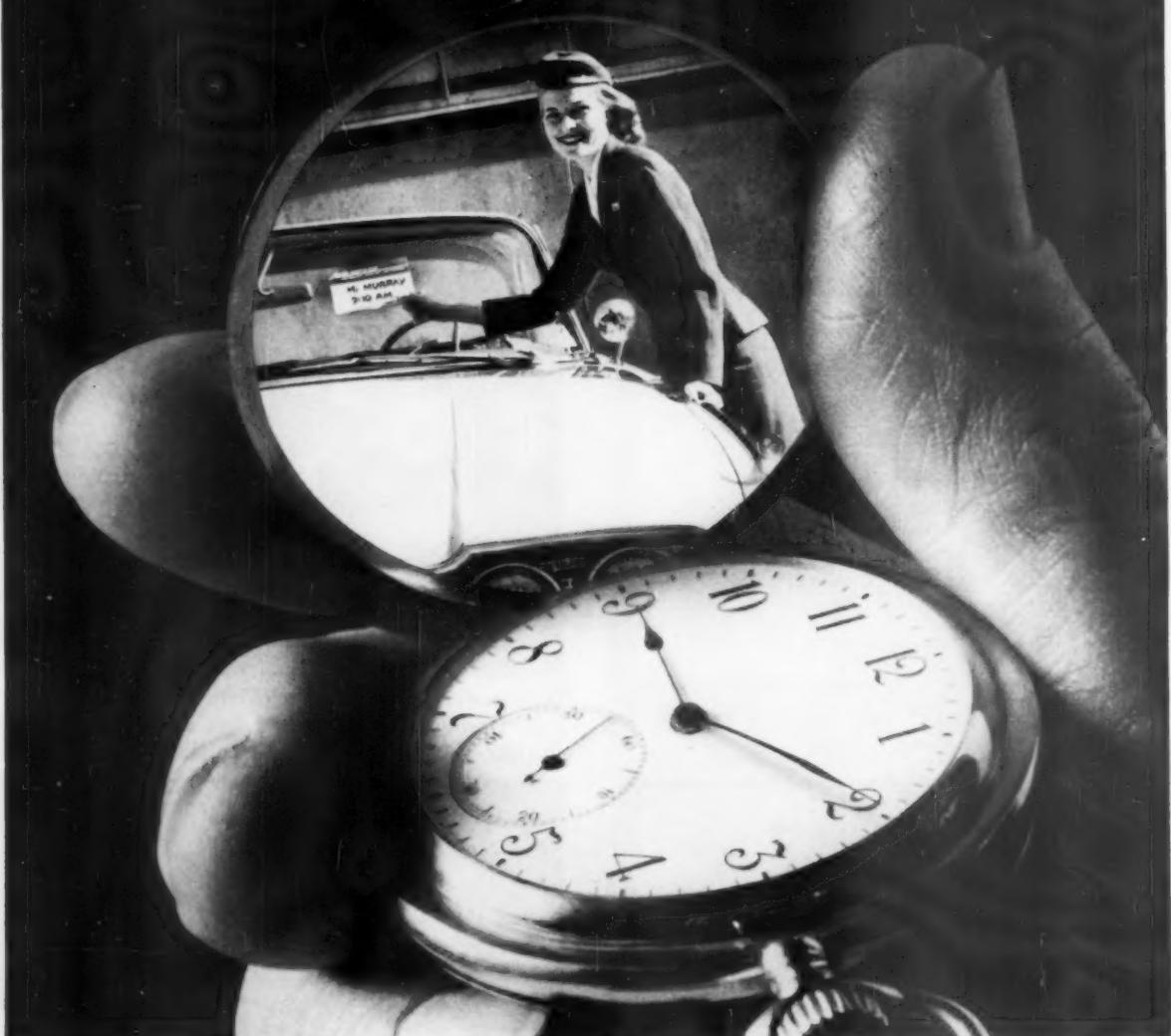
Ask your Hammermill supplier for the new Graphicopy Paper Selection Guide, or write Hammermill Paper Company, 1455 East Lake Road, Erie 6, Pa.

Avis

RENT-A-CAR

NOW FIRST

WITH "minute-saver
service"



The car with your name on it waits for you!

It's easy (and costs no more!) to enjoy the extra benefits of Avis "minute-saver service"! Whether you're traveling for business or pleasure—Avis saves you time and smooths the way. Just tell Avis when you're leaving! Avis

does the rest! Over 7,000 Teletype interconnections can flash word ahead when and where to expect you. When you arrive at your destination, a brand-new Ford (or other fine car) is waiting for you with your name on it. You drive off—with

no delays, no red tape. Another Avis first to make your trips more convenient than ever before. Next trip, call your Avis office or your Travel Agent and ask for "minute-saver service." It's the exclusive extra service at no extra charge!

Charge Avis Rent-a-Car services with Avis, American Express, Diners' Club, or Carte Blanche cards. Sheraton Hotel, air, rail and other accredited charge cards are also honored. ©1960 Avis Inc., 18 Irvington St., Boston 16, Mass.

In Marketing

San Francisco Radio Station Adopts Newspaper Format for All Programs

Next week San Francisco radio station KFAX will start offering listeners something unusual in the way of programming—a newspaper concept. Shunning music and dramatic features, the station will broadcast continuous series of news programs. It will anchor the schedule with 15-minute newscasts on the hour and 5-minute summaries on the half-hour. In between, KFAX will run special interest news programs for fields such as business, labor, agriculture, and sports. It will also air editorials and entertainment reviews.

In accordance with this format, **KFAX will not sell any programs for sole sponsorship.** Instead, the station will allocate times for advertisers' messages on a basis similar to that of newspapers, which often place general ads without reference to editorial material.

FTC Campaign Hits Cooperative Ads And Pricing Claims of Retailers

The Federal Trade Commission's running crackdown on certain advertising practices (BW—Dec. 19 '59, p73) is moving ahead briskly on several fronts:

Charges of fictitious pricing claims face Gimbel Bros., Bankers Securities Corp. (operator of Philadelphia's Snellenburgs), and Giant Food, Inc. This week, FTC added City Stores Co. to the list, for alleged deceptive pricing and savings claims for merchandise sold in its Lansburgh's stores in Washington, D. C., and in Lit Bros., Philadelphia.

In the increasingly hot area of cooperative advertising allowances, FTC struck at R. H. Macy Co. last week. Macy's is charged with using its leverage as a powerful buyer to induce suppliers to make contributions in connection with the company's 100th anniversary last year. Few, if any, of the 750 suppliers whom FTC claims Macy's approached could afford to make like contributions to any substantial number of their other customers, FTC said. FTC termed this an unfair method of competition under the Federal Trade Commission Act.

A similar charge was filed last month against American Radiator & Standard Sanitary Corp., for allegedly inducing discriminatory allowances from suppliers to help defray the cost of television programs sponsored by American Radiator.

It seems likely that more such cases are in the offing. **FTC Chmn. Earl Kintner** emphasized in a speech last fall that cooperative advertising is one of the really big current problems. He took special note of the Macy case last week in an address to the National Knitted Outerwear Assn. He said that he understands from garment trade associations "that the advertising practices now engaged in have reduced the industry to chaos. We are told that in recent years department

stores and department store chains have demanded greater and greater participation by suppliers in various promotional advertising efforts and that advertising allowances are made to meet demands of powerful buyers without any pretense of adhering to a cooperative advertising program available to all competing customers on proportionately equal terms, as required by law."

Macy's commented only that it was surprised at the charges and was confident that it had behaved properly.

Penn Fruit Starts to Live Down

Its Carefully Built Quality Name

Penn Fruit Co., supermarket chain in the Middle Atlantic area, has spent years building up a reputation for quality, but now it's not so sure such a reputation is always an asset. The chain is beginning a program of individualization, in which some stores will be turned into outlet-type operations, emphasizing low-priced items. The aim is to draw in neighborhood bargain hunters who may have been scared off by the stores' high-quality atmosphere.

Three existing stores—one in Baltimore, one on Long Island, and one in suburban Philadelphia—will be the first to undergo the change. They will carry fuller stocks than other Penn Fruit stores in the Elna brand, the cheaper of the chain's two private labels. They will also feature the cheaper cuts of meat.

Store managers will have greater freedom to adapt their styles to the individual neighborhoods. They need not buy through the chain's central purchasing department but will be able to stock directly from vendors.

Penn Fruit last year did \$167-million in sales in its 64 stores.

Who Eats Away From Home, and Why?

Survey Provides Some of the Answers

Homebodies they may be, but U.S. consumers spend each month more than \$1-billion eating away from home. This is the finding of a survey by Benson & Benson, Inc., for General Foods Corp. and the National Restaurant Assn. The researchers interviewed men and women (18 years and older) in some 2,000 homes early this year and concluded that about 43% of all adult Americans eat out.

Average outlays run 78¢ for breakfast, \$1.16 for noon meals, \$2.19 at night. These do not include outlays for alcoholic beverages.

At noon, eight out of 10 who eat out do so "involuntarily," such as people on the job or traveling. But 65% of evening meals eaten out are a matter of choice.

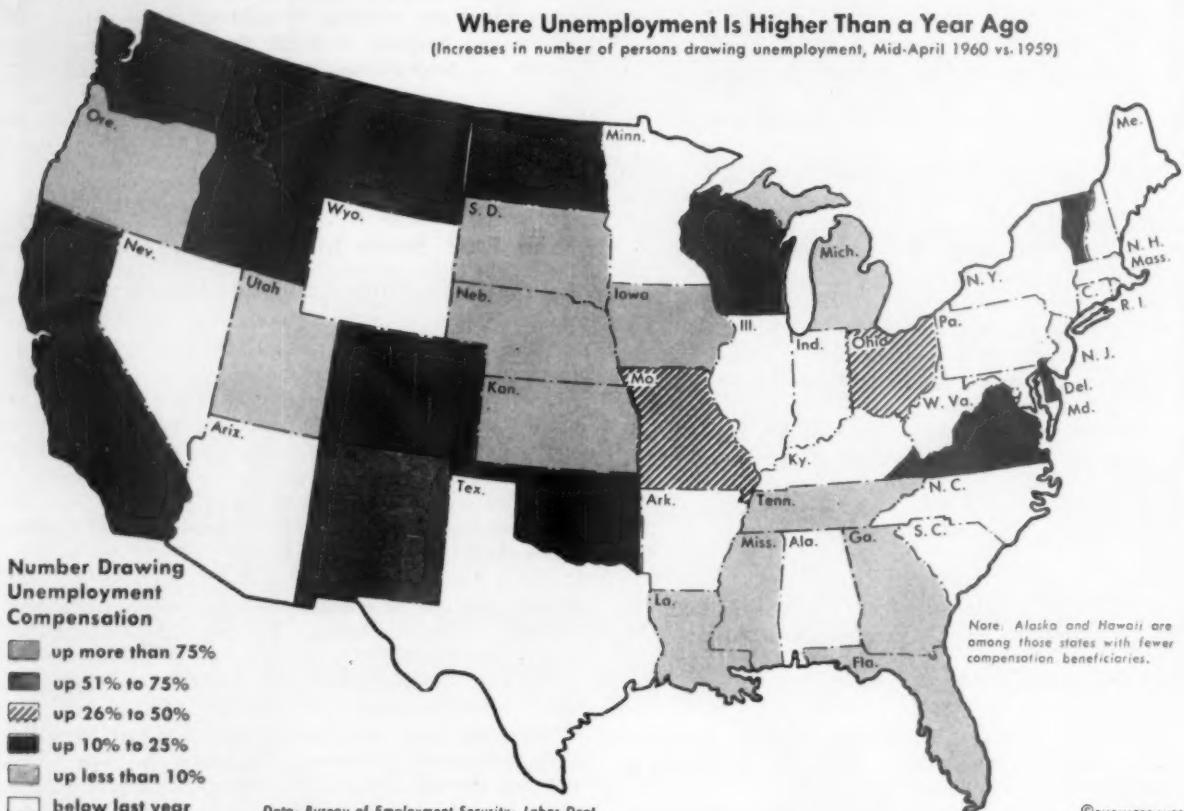
Women particularly like to go out. Some 80% said they enjoy it, compared with 65% of men. Nearly half of all respondents said they would like to eat out more often—again with the women leading.

As to what makes a good restaurant, 78% mentioned food—the quality, taste, and variety. Atmosphere and appearance counted with 75%; service was mentioned by 57%.

CHARTS OF THE WEEK

Where Unemployment Is Higher Than a Year Ago

(Increases in number of persons drawing unemployment, Mid-April 1960 vs. 1959)



©BUSINESS WEEK

Jobless Increase in 26 States

At mid-April this year, three out of every 100 persons in the labor force were on the unemployment dole. In 26 states across the nation, more people were receiving unemployment compensation checks than at the same time last year.

In the states where there were fewer unemployment beneficiaries than a year ago, the decline was due largely to improved job situations, as in Connecticut, Indiana, and New Jersey. However, in some long-depressed areas such as West Virginia fewer people were receiving payments because their benefit allowance had been exhausted under state or federal programs.

Last year 16 states increased the regular duration provisions of their laws; six automatically extended duration when insured unemployment reaches a specified percentage of covered employment. Four states amended their laws to include groups of workers formerly excluded. Twenty-two states enacted legislation to increase the maximum benefit.

Farm states were hit hardest with in-

creased unemployment claims this year. South Dakota reported its compensation rolls were up 134%; Iowa, 88%; Kansas, 82%; Nebraska, 76%; North Dakota, 69% and New Mexico, 52%. Weather, technology, and plummeting farm income are to blame for the dip in available jobs. Cold, wet weather delayed the usual hirings for spring plantings in the Great Plains, mechanization continued to reduce the number of farm workers required, and many farmers, caught in a price-cost squeeze, found ways of getting their work done without any hired help.

Schedule adjustments and scattered labor disputes idled thousands of automobile workers in Delaware, Michigan, Ohio, and Missouri. In many areas, however, the increase in insured jobless appeared to be due more to a delay in rehiring than to increased layoffs. This was particularly true of the construction industry and some other outdoor activities. But things are looking up for the construction industry. The record-breaking volume of contract awards in the past several weeks gives a brighter

outlook for construction jobs in the next six months.

Out on the West Coast unemployment rolls were swollen by the thousands of workers set adrift by the cancellation of government contracts for manned aircraft. Many of these workers have been or will be absorbed by the mushrooming missile and related electronics industries, but while seeking new spots they collect unemployment compensation. Meanwhile, absorption of laid-off factory workers has been slow.

In Washington and Oregon jobs in lumber and wood products were down in the face of a sagging market and faltering prices. The promised pickup in construction should bring some relief soon. Meanwhile, the Air Force recently proposed a sharp cutback in the Boeing Bomarc missile program. Approval would mean a loss of about 5,000 jobs this year and more in 1961. Effects of this would be partially offset by stepped-up activity on the Minuteman missile, which is assembled and tested by Boeing. Employment on the Dyna-Soar glider is expected to mount



ONCE SEEN—SOLD!

Hardware Items in sparkling clear, vinyl "skin packages" move fast in the modern, self-service hardware store. The item is placed on cardboard and cast vinyl film is vacuum-drawn tightly around the entire assembly. Hardware and selling message are seen at a glance—for there's no haze, no yellowing, no distortion of any kind.

Vinyl film and sheeting owe their sparkling clarity to a hard-working group of phosphorus chemicals known as trialkyl phosphites. Any one of these phosphites in a stabilizer compound makes vinyl resistant to the yellowing and clouding that normally follows high production heat and exposure to sunlight (ultra violet). Vinyl rear windows in convertibles, for example, stay clear in use ...suffer no change in mechanical characteristics.

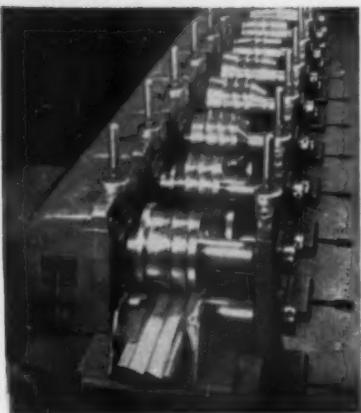
In addition to vinyl stabilizers, V-C trialkyl phosphites serve as chemical intermediates for a wide range of products, including: organic phosphorus insecticides, specialty solvents, anti-oxidants, oil and grease additives, flame-proofing compounds, and GR-S rubber bleaches. Could versatile V-C phosphites help your product or process?

V-C phosphites, like all V-C phosphorus chemicals, are known for high quality and purity. The secret is V-C's integrated operational control—from mining *its own* phosphate rock, on through production to *non-contaminated* delivery at the customer's plant. For more details, see your V-C distributor, or write:

Virginia-Carolina Chemical Corporation • Chemicals Division
401 East Main Street, Richmond 8, Virginia • Phone: Milton 8-0113

FOR PROFITS AND PROGRESS... SEE





Yoder Roll-Forming Equipment mass-produces shapes accurately, economically

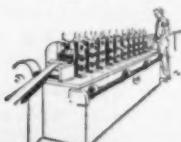
Yoder Roll-Forming Equipment, even with part-time operation, can effect significant savings in many metal working applications and industries. Shapes, simple or complex, can be quickly and economically produced the Yoder way from a wide variety of flat-rolled coated or uncoated stock... in thickness up to $\frac{3}{4}$ inch... in speeds up to 50,000 feet per day.

Yoder engineers flexibility and precision into metal forming operations. For example: many basic shape modifications, such as coiling, welding, notching, ring-forming, perforating, and cutting to length can be simultaneously accomplished with little or no additional labor cost.

Yoder also makes a complete line of Rotary Slitters and Pipe and Tube Mills. Profit from Yoder's years of engineering and service experience, contact your local Yoder representative or send for the Yoder Roll-Forming Manual.

This fully-illustrated 88-page book clearly discusses every important aspect of Yoder Roll-Forming Equipment and methods... it's yours for the asking!

THE YODER COMPANY
5530 Walworth Avenue • Cleveland 1, Ohio



COLD ROLL FORMING MACHINES

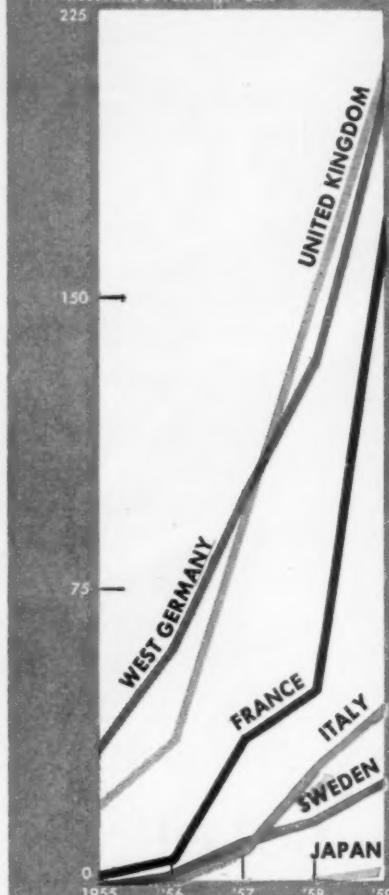
some. In the fall, a Seattle shipyard will start work on three guided missile destroyers.

Reduced mining has added to the jobless rolls in Utah, Colorado, Montana, Idaho, and New Mexico.

TOP

Passenger Cars Exported to U.S. by Leading Producing Countries

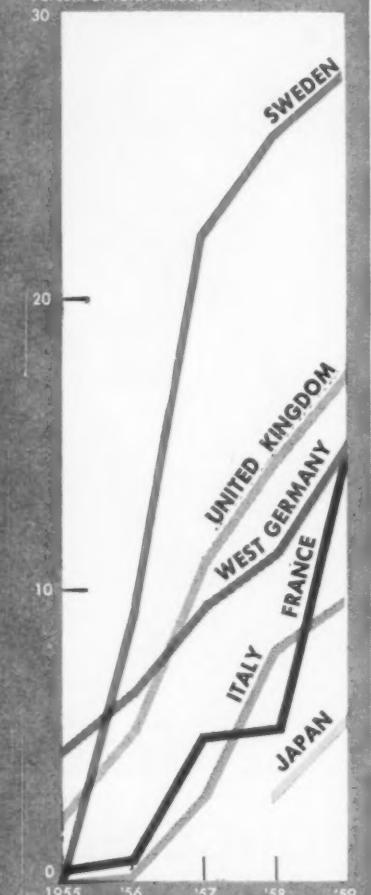
Thousands of Passenger Cars



Data: Automobile Manufacturers' Assn.

Share of Total Passenger Cars Production Exported to U.S.

Percent of Total Production



©BUSINESS WEEK

The Rise in Foreign Car Imports

Every major auto-producing country in the world looks fondly upon the U.S. automobile buyer. The charts above show why. Last year, the United Kingdom loaded 210,494 passenger cars on ships headed for the U.S.; this was almost 18% of their total production. West Germany was close behind with 205,799, more than 15% of output. If trucks were added, West Germany would take the lead in total exports to the U.S., for the Volkswagen truck has been a very big seller here.

Only four years earlier, the U.K.'s exports to the U.S. were less than one-tenth of last year's—20,633 autos, or little more than 2% of production. West Germany had the edge then with

34,484 units, or 4.5% of total output.

France moved ahead fast, largely because of the rapid rise in popularity of the Renault in the U.S. Last year, France shipped almost $3\frac{1}{2}$ times as many cars to the U.S. as in 1958—171,285 vehicles (15.2% of production), compared with 49,481 (5.4%) the year before. Renault sold more than 23% of its 1959 output to U.S. buyers.

The U.S. market is especially dear to the hearts of Swedish automakers. Last year, 27,010 cars, more than 28% of Sweden's output, were earmarked for the U.S. The Swedish Volvo placed 10th in the 1959 list of best-selling foreign cars.



More to it than meets the eye

THE "business end" of an iceberg, as you know, is beneath the surface. In much the same way, the business end of LIFE EN ESPAÑOL is hidden to the casual eye.

For A.B.C. circulation figures—on which advertising rates are based—are only about one-eighth as big as the audience LIFE EN ESPAÑOL delivers every issue.

The size and purchasing power of its audience were documented in a study of the accumulative audience of LIFE EN ESPAÑOL just completed by International Research Associates in Mexico. Here are some of the facts on the extent and quality of LIFE EN ESPAÑOL's audience.

LIFE EN ESPAÑOL reaches an average of 7.7 readers per copy.
(At current circulation levels, that's over 1,000,000 readers per issue in Mexico.)

The cumulative audience of LIFE EN ESPAÑOL mounts rapidly. While any single issue reaches 15.8% of the surveyed population—any 5 issues reach 28.6%.

LIFE EN ESPAÑOL reaches high-income people: 1 issue reaches 41% of the people in Mexico who earn 5,000 pesos a month or more—5 issues reach 63%.

LIFE EN ESPAÑOL reaches the well-educated: 1 issue reaches 41% of the Mexicans who have attended a university—5 issues reach 67%.

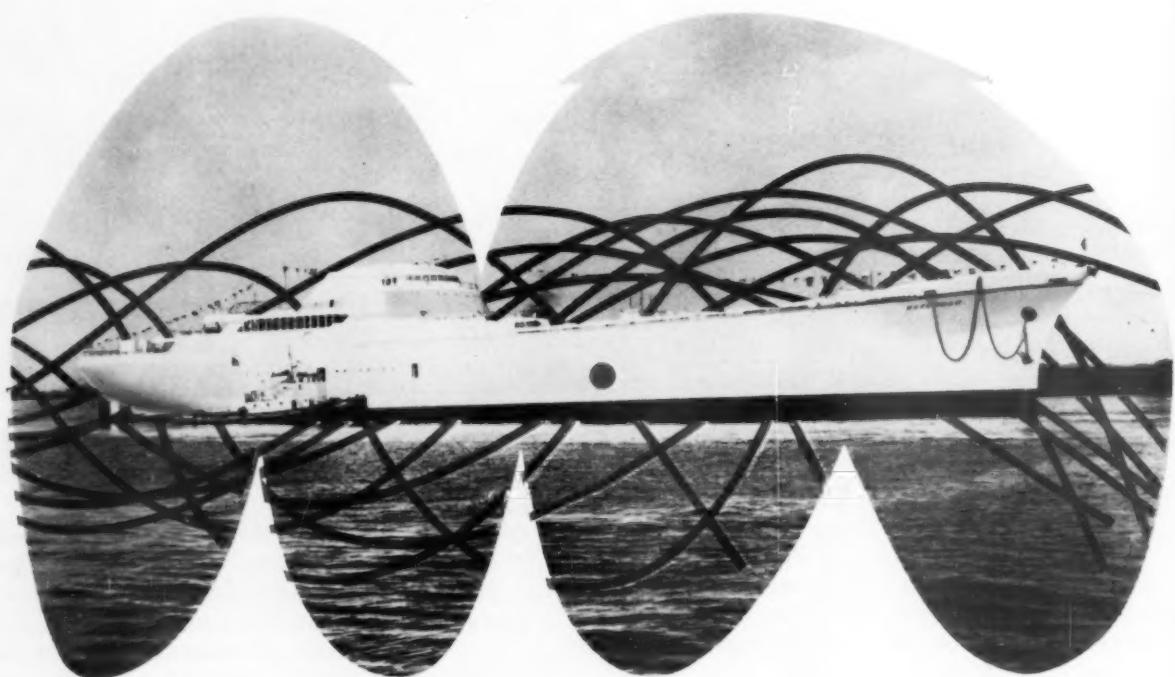
LIFE EN ESPAÑOL reaches big purchasers: 1 issue is read by 36% of the car owners in Mexico—5 issues reach 57%.

And much more. 100 pages of tables full of valuable new data on ownership and use of consumer durables and non-durables in Mexico—full of good reasons for you to make sure that LIFE EN ESPAÑOL bulks large in your advertising plans for Latin America. For further information about the results of the study, ask your LIFE EN ESPAÑOL representative or write: Advertising Director, LIFE EN ESPAÑOL, Time & Life Building, Rockefeller Center, New York 20, N.Y.

LIFE
EN ESPAÑOL

For the Babcock & Wilcox Company:

*a Burroughs 205 computer backed the
team that introduced
atomic power to the merchant fleet...*





another Burroughs computer is helping build one of the world's largest steam boilers...

and still another is speed- ing a vast research and development program

History has already earmarked July 21, 1959, in remembrance of launching the N. S. Savannah—the world's first nuclear merchant ship. This graceful queen of the seas may well be the precursor of a vast atomic merchant fleet—ships operating quietly and efficiently on nuclear engines.

Yet months before touching water, the Savannah's nuclear propulsion system was obtaining hundreds of "trial runs" on a Burroughs 205 computer at The Babcock & Wilcox Company's Atomic Energy Division in Lynchburg, Virginia.

Long before the vessel was launched these computer runs predicted changes that were to take place in the heart of the nuclear reactor. With the aid of these data, decisions were made as to the optimum size of the reactor, the lifetime of the fuel elements, amount of fuel needed, approximate costs and myriad other specifications.

Of course, a simulated run could have been made with a desk calculator—but it would have taken one year to complete a single run. The 205 has completed the same job in just a few hours.

This is the latest installment in a success story that started in November, 1955—the installation date of the Burroughs 205 at the Atomic Energy Division. Aside from the N. S. Savannah project, the same computer contributed immeasurably to other reactor designs, and other engineering work involving stress and thermal calculations, plus cost

accounting data processing.

A recognized pioneer in the application of electronic data processing equipment, B&W was one of the first companies to develop its own automatic programming system. The effect of this powerful programming aid—called DUMBO—is to extend the capabilities of the 205 to hundreds of engineers without special knowledge of computer characteristics and techniques.

B&W engineers at Lynchburg are now able to write a plan for the computer to follow; DUMBO then automatically translates the plan into 205 language for electronic data processing.

With valuable 205 experience on design problems of a different nature, B&W's Boiler division (at Barberton, Ohio) has now installed a larger Burroughs 220 computer system to handle its increasing activities. Now in the design stage, with the aid of the 220, is one of the largest steam boilers ever conceived. When finally erected, the new steam boiler will stand as high as a 22-story skyscraper, produce 4,900,000 pounds of steam per hour, and generate sufficient power to light a city of 5,000,000 population.

Whether designing mammoth power equipment or a small industrial boiler, the Burroughs 220 has become a vital tool from initial bid through final design. The Burroughs 220 is helping to win orders with fast-but-realistic proposals, slashing costs and lead time at every possible opportunity.

B&W, whose product range includes tubular products, refractories, and marine boilers, as well as stationary steam generators, is also spearheading the development and construction of nuclear stationary and marine propulsion power plants. In all these programs, B&W depends upon the most modern analytical processing equipment.

At the company's Research and Development Center based in Alliance, Ohio, a third Burroughs computer has recently gone "on the air." This Burroughs 205 was purchased to process data for a variety of research experiments in the fields of heat transfer, fluid flow, stress analysis, and thermodynamics. Its immediate impact has been to free creative engineering talent from routine calculations and to reapply valuable human resources to the pursuit of new sources of economical energy. This 205 has already developed research data otherwise inaccessible.

All three Burroughs computers are helping B&W to meet a wide range of the nation's power requirements in the most efficient and economical way possible. Hundreds of other industrial and commercial users are confirming similar experiences.

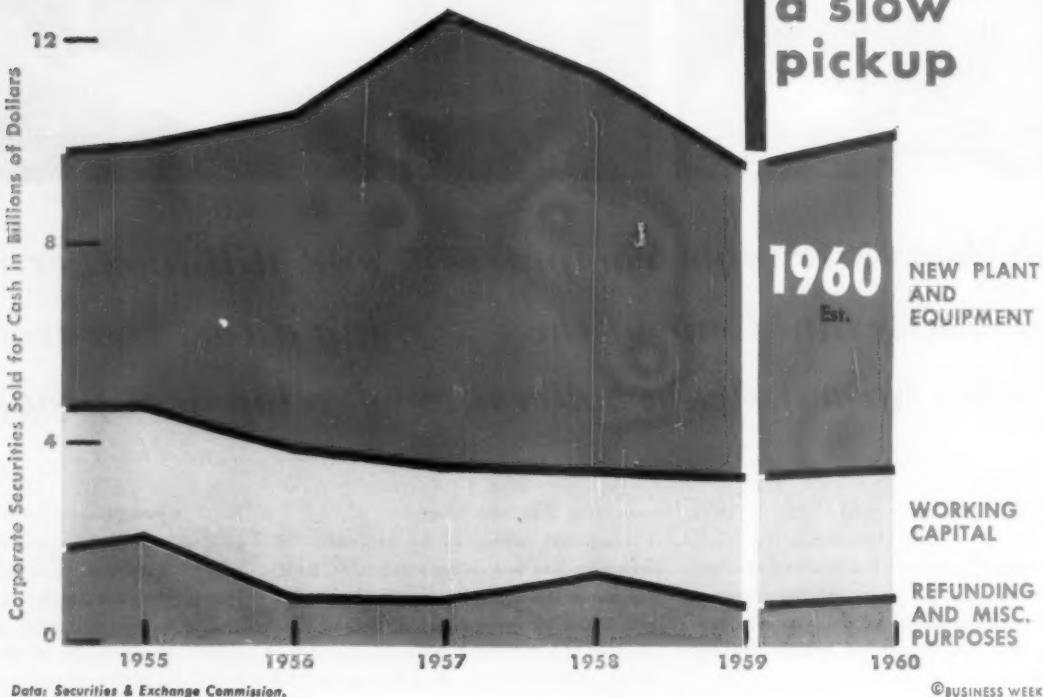
Burroughs' complete line of electronic data processing equipment is backed by a coast-to-coast team of computer specialists, able to advise on how Burroughs can help you in your business. For additional information, write General Manager, Data Processing Systems Group, Detroit, Michigan.

Burroughs Corporation



"NEW DIMENSIONS/in electronics and data processing systems"

Corporate financing

due for
a slow
pickup

Capital Outlays to Lift Borrowing

A reversal of the steady downtrend in corporate financing—from the record of \$12.6-billion in 1957 to \$9.6-billion last year (chart)—appears to be in the making.

Behind this new turn is the mounting evidence that businessmen are stepping up their capital spending plans (BW—Apr. 30 '60, p27). Almost two-thirds of the funds needed to pay for the \$37.9-billion spending program slated by business this year will come from depreciation—which is becoming increasingly important as a source of capital funds. But capital market men feel that, even so, corporate financing to date hasn't been "normal" for such a high level of spending. In 1960's first quarter, in fact, new money raised by corporations was slightly under 1959's depressed level, although indications are this may have been a temporary lull.

• **Forecast**—As a result, institutional lenders predict a slow increase in the dollar volume of financing this year. The increase won't be rapid—because of the growing importance of internal financing via retained earnings and depreciation—but nevertheless it will push financing over the 1959 total.

This view is backed by the senior

lending officer at one of the nation's largest life insurance companies. "These capital spending surveys have always come close to the mark in the past," he says. "So far this year," he adds, "business borrowing hasn't been normal if capital spending is really going to hit close to \$38-billion. There has to be a pickup soon." A Boston insurance man adds that several large corporate offerings—one running over \$100-million—are in preliminary negotiations right now. "It's picking up slowly," he says.

The Irving Trust Co., which keeps tabs on financing by electric and gas companies with assets over \$35-million, indicates that it may be revising its earlier projections upwards. Earlier in the year it predicted that utility financing would drop from \$2.9-billion in 1959 to \$2.5-billion this year. But now the bank cautions that "a few companies who have not yet made financing estimates may raise this close to the 1959 total."

• **Why the Drop**—Among the important factors behind the drop in corporate financing in 1958 and 1959 was the growth of depreciation allowances that companies are permitted to take under the so-called "fast" depreciation

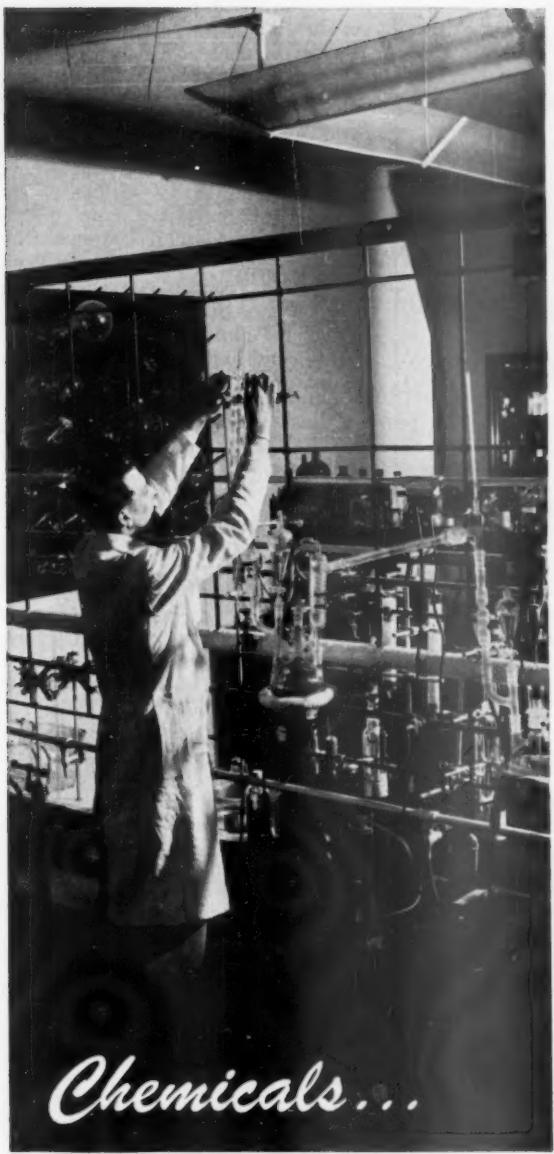
methods that were recognized in the Internal Revenue Code of 1954. These "fast" depreciation changes allow a company to write off about 75% of the cost of a new machine or building in only half its useful life.

With the tremendous volume of capital spending in the last six years, great quantities of new plant and equipment are now being depreciated under the fast methods.

At the same time, capital spending was depressed from the 1957 level of \$37-billion. In addition, high money costs inhibited many companies, especially utilities, from borrowing.

• **Back to Market**—Now, underwriters, who were pinched by the decline in volume of big corporate deals are again optimistic. They question whether business can spend at the rate projected for this year without tapping the capital market for more than it did last year—when capital spending amounted to only \$32.5-billion. Besides, interest costs seem to have passed their peak. As the cost of long-term money drops, many companies will probably carry through borrowing plans postponed earlier.

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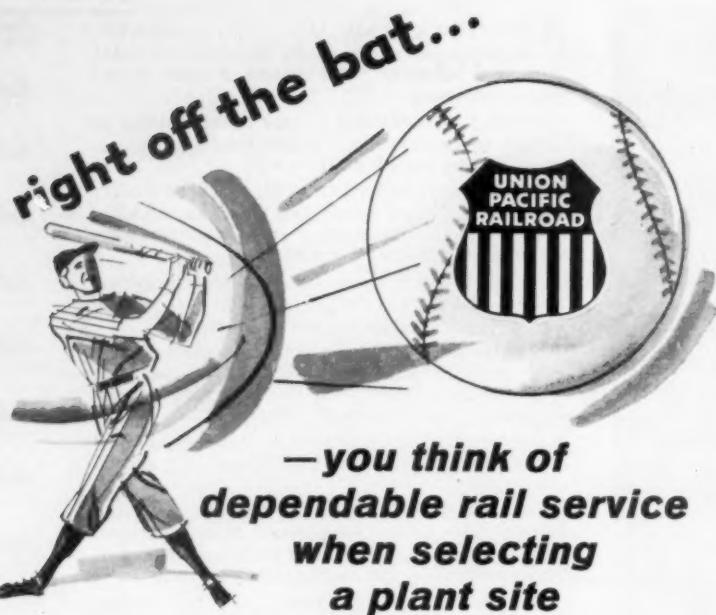
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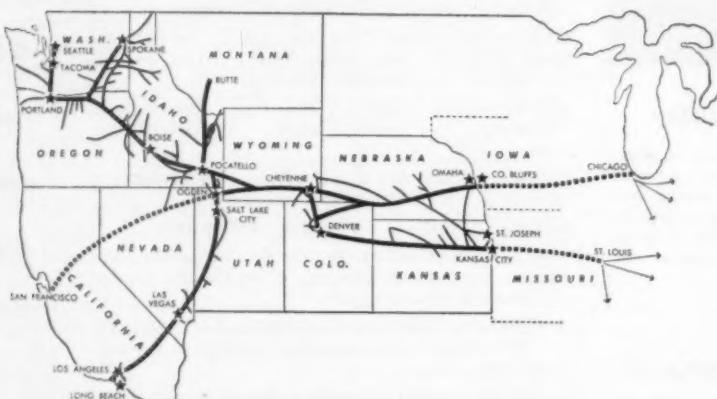
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dependable rail service
when selecting
a plant site**

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Industrial Development Dept.
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the high cost of money has been the finance companies—particularly the sales finance companies, which have been hard-pressed to meet a record demand for consumer credit. The Securities & Exchange Commission's tabulation of finance company borrowing shows that, so far this year, finance companies have borrowed more than \$750-million—substantially ahead of a year ago.

• **Loaned Up**—Corporations that have been borrowing have done more and more of it recently through private placements with institutional lenders (BW—Jan. 9 '60, p101). In part because of this trend and in part because of a big increase in insurance company loans to policyholders, many such lenders now find themselves chock-full with loans. They expect an increase in loan demand—and wonder how they can meet it.

"We have seen relatively little of the capital spending increase reflected in our loan applications," says a lending officer at a big Hartford insurance company. "When it comes," he adds, "we are going to have to scramble, because we're tight just now due to a jump in policy loans." Policyholders of life insurance companies in New York and elsewhere have discovered that they can borrow from the company at 5%—well under what most banks charge—and have been flocking in for money.

• **More Small Issues**—While financing by large corporations has been in the doldrums, the number of smaller companies coming to market—many of them for the first time—has shot up. According to the SEC, during the 10 months ended in April, 1,366 proposals for public financing totaling some \$13.7-billion were filed. By comparison, in the same period two years before, 731 issues for \$13.5-billion were sent to SEC for clearance.

In short, while the number of companies seeking to raise funds in the capital market has almost doubled, the amount of money sought has varied very little. But this flood of new issues—mostly common stock sold by new, speculative enterprises—may be tapering off. At the end of March, the SEC had a record backlog of 414 security issues waiting for clearance. This figure is now down to 373 issues, almost entirely because of a drop in the rate of new issue filings.

There are indications that the decline may have come just in time. Investment Dealers Digest says that last week more than half of the negotiated deals tentatively scheduled for sale were postponed because of the "SEC logjam."

Some underwriters feel that the SEC's trouble in clearing new issues was beginning to affect offers from older, better established companies as well as those from newer outfits. **END**

Richfield

Reports

1959

Net earnings for 1959 were \$28,058,000 (\$6.95 per share) as compared to \$20,094,000 (\$5.02 per share) in 1958—up 40 per cent. This increase reflects the Corporation's progress in solidifying its earnings-base through the expenditures it has made in building up its production and reserves of crude oil. Gross production in the Western Hemisphere increased by 16 per cent; and by the latter part of 1959, Richfield was the second largest producer in California on a gross basis.

Net sales and other operating revenue for the year 1959 amounted to \$269,932,000 as compared to \$258,208,000 for the prior year.

For the 23rd consecutive year, Richfield paid cash dividends which have amounted to \$3.50 per share in each of the past nine years.



RICHFIELD OIL CORPORATION

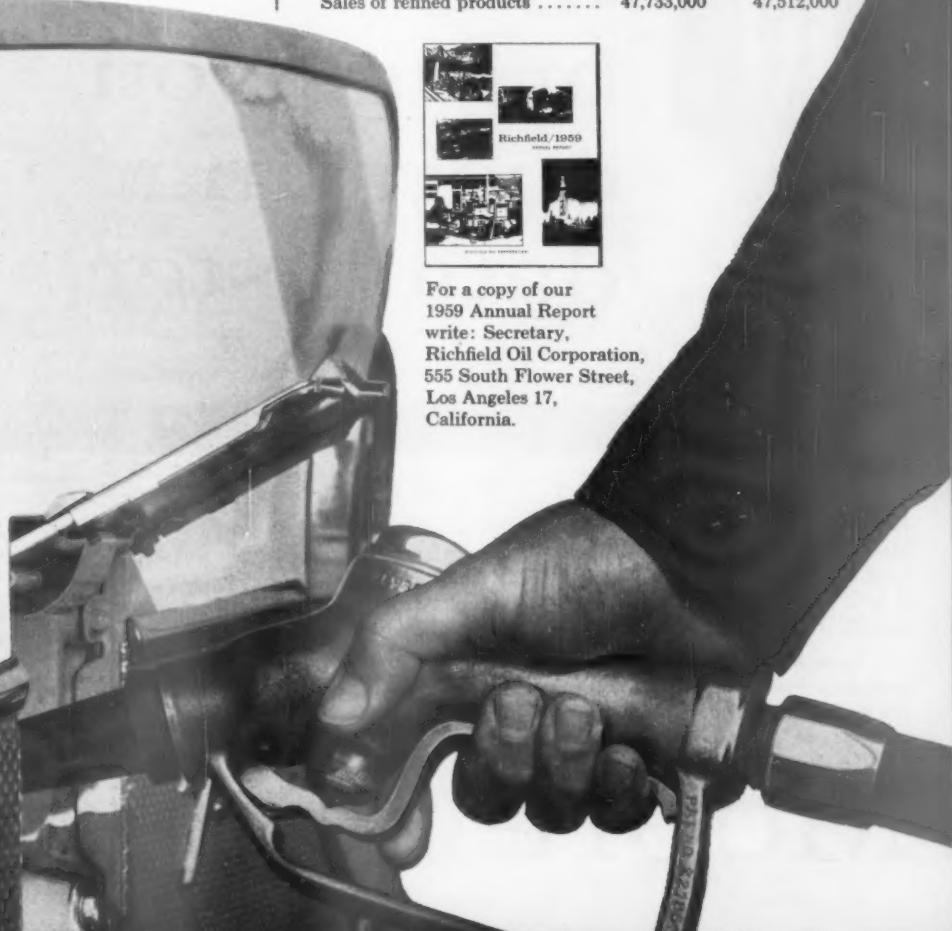
Executive offices: 555 South Flower Street, Los Angeles 17, California

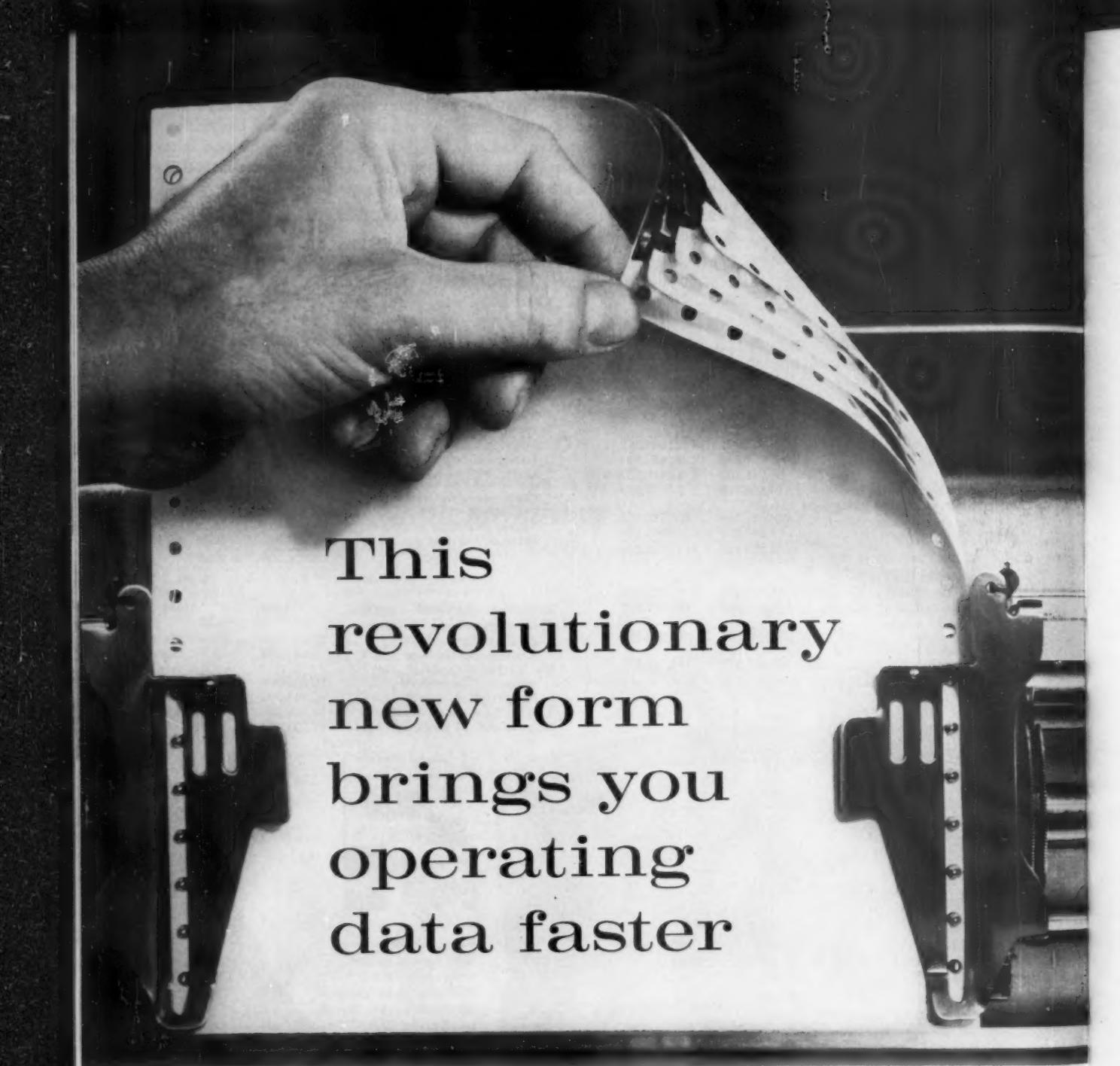
BALANCE SHEET AT DECEMBER 31		1959	1958
<i>Assets</i>			
Cash and Government securities	\$ 58,644,991	\$ 72,646,093	
Accounts receivable (net)	47,721,085	42,667,290	
Inventories	43,781,133	45,818,932	
Investments and advances (net)	16,446,116	12,019,559	
Properties, plant and equipment (net)	248,489,804	230,795,668	
Deferred charges	7,241,511	6,802,157	
	<u>\$422,324,640</u>	<u>\$410,749,699</u>	
<i>Liabilities and Capital</i>			
Current liabilities	\$ 35,742,346	\$ 36,325,905	
Long term debt	140,511,901	143,587,800	
Stockholders' equity:			
Capital stock	77,402,164	76,093,862	
Earnings employed in the business	168,668,229	154,742,132	
	<u>\$422,324,640</u>	<u>\$410,749,699</u>	

INCOME ACCOUNT FOR THE YEARS		1959	1958
Income:			
Sales and other income	.....	\$344,577,091	\$327,327,097
Less gasoline and oil taxes	.....	72,147,874	67,236,234
		<u>\$272,429,217</u>	<u>\$260,090,863</u>
Deductions:			
Costs, operating and general expenses	.....	182,275,783	183,153,173
Taxes, including income taxes	.....	20,633,433	14,756,313
Other deductions	.....	41,461,897	42,087,760
		<u>Net income</u>	<u>\$ 28,058,104</u>
		Net income per share* *on average shares outstanding	\$6.95 \$5.02
OPERATING STATISTICS—BARRELS		1959	1958
Production of crude oil—gross			
Western Hemisphere	.....	29,027,000	24,980,000
Eastern Hemisphere	.....	3,947,000	3,520,000
Production of crude oil—net			
Western Hemisphere	.....	22,886,000	19,555,000
Eastern Hemisphere	.....	3,454,000	3,087,000
Crude oil processed at refinery			
Western Hemisphere	50,302,000	43,451,000
		<u>Sales of refined products</u>	<u>47,733,000</u>
			47,512,000



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Rising Sales Boost the Roster

1959's Billion-Dollar Club

IN SALES:

	SALES IN 1959 (\$ MILLIONS)	FISCAL YEAR 1958-59 CHANGE
General Motors	\$11,353.7*	+ 18.1%
Stand. Oil (N.J.)	8,714.1*	+ 5.5
AT&T	7,393.0	+ 9.2
(excluding Western Electric)		
Ford Motor	5,448.1*	+ 29.2
A&P	5,090.0E	- 0.1
General Electric	4,349.5	+ 5.5
Sears, Roebuck	4,036.2	+ 8.5
U. S. Steel	3,643.0	+ 4.7
Socony Mobil	3,516.6*	+ 7.9
Gulf Oil	3,202.8*	- 0.6
Texaco	2,830.8*	+ 9.7
Chrysler Corp.	2,653.6*	+ 22.0
Swift & Co.	2,475.5 ⁽¹⁾	- 6.4
Safeway	2,383.0	+ 7.1
Western Electric	2,322.8*	+ 7.3
Du Pont	2,114.0*	+ 15.3
Bethlehem Steel	2,079.1*	+ 2.7
Stand. Oil (Ind.)	1,980.8*	+ 5.2
Westinghouse	1,934.0	+ 1.1
Kroger Co.	1,911.9	+ 7.6
Stand. Oil (Cal.)	1,909.1*	+ 0.4
Armour	1,872.3*	+ 1.2
Shell Oil	1,820.0*	+ 8.7
Gen. Dynamics	1,811.9	+ 11.4
Boeing Airplane	1,612.2	- 5.8

IN ASSETS:

	ASSETS [†] AT CLOSE OF 1959 FISCAL YEAR (\$ MILLIONS)	1958-59 CHANGE
AT&T	\$20,807.0	+ 6.7%
(excluding Western Electric)		
Stand. Oil (N.J.)	9,894.7	+ 4.4
General Motors	7,907.4	+ 8.4
U. S. Steel	4,712.1	+ 1.7
Ford Motor	3,904.8	+ 20.3
Gulf Oil	3,576.3	+ 4.3
Socony Mobil	3,347.4	+ 3.4
Du Pont	3,011.5	+ 7.4
Pennsylvania RR	2,923.2	- 1.4
Stand. Oil (Ind.)	2,846.5	+ 2.8
Stand. Oil (Cal.)	2,578.3	+ 5.2
N. Y. Central	2,561.6	- 1.6
General Electric	2,561.5	+ 5.8
Pacific Gas & El.	2,387.4	+ 4.2
Bethlehem Steel	2,269.4	+ 3.4
Southern Pacific	2,245.2	+ 3.2
Sears, Roebuck	2,148.7	+ 5.5
Gen. Tel. & Elec.	1,820.8	+ 13.8
Shell Oil	1,767.3	+ 7.2
Commonw'th Ed.	1,657.8	+ 4.9
Union Carbide	1,632.3	+ 6.7
Sante Fe RR	1,594.8	+ 1.2
Phillips Pet.	1,579.9	+ 4.2
Union Pacific	1,553.1	+ 1.6

	SALES IN 1959 (\$ MILLIONS)	FISCAL YEAR 1958-59 CHANGE
Nat'l Dairy Pdts.	1,612.0*	+ 3.8
Goodyear Tire	1,585.7*	+ 15.6
Union Carbide	1,556.9*	+ 18.3
J. C. Penney	1,437.5 ⁽²⁾	+ 8.1
RCA	1,395.6 *	+ 18.7
Proc. & Gamble	1,368.5 ⁽²⁾	+ 5.7
Int'l Harvester	1,363.2	+ 24.1
Int'l Bus. Mach.	1,309.8	+ 11.8
Lockheed	1,308.0*	+ 33.8
R. J. Reynolds	1,287.1**	+ 12.2
Sinclair Oil	1,246.4*	+ 3.7
Montg'ry Ward	1,222.6 ⁽⁴⁾	+ 11.9
Firestone Tire	1,194.0 ⁽¹⁾	+ 12.1
Phillips Pet.	1,179.2*	+ 9.9
Amer. Tobacco	1,161.4**	+ 5.1
Continental Can	1,156.2*	+ 6.6
Sperry Rand	1,130E	+ 30.8
American Can	1,107.4	+ 6.8
United Aircraft	1,084.9	- 9.9
Republic Steel	1,084.0*	+ 18.1
Gen. Tel. & Elec.	1,081.1	+ 20.8
General Foods	1,056.0*	+ 4.4
North Am. Av.	1,047.6*	+ 15.2
Armco Steel	1,043.9*	+ 18.0
Int'l Paper	1,033.2*	+ 12.4
Cities Service	1,008.5*	- 2.1

	ASSETS [†] AT CLOSE OF 1959 FISCAL YEAR (\$ MILLIONS)	1958-59 CHANGE
El Paso Nat. Gas	1,519.3	+ 3.6
Westinghouse	1,498.1	+ 6.1
Sinclair Oil	1,494.1	- 0.4
Western Electric	1,474.8	+ 10.3
Int'l Bus. Mach.	1,466.1	+ 9.4
Amer. Elec. Pow.	1,457.8	+ 4.8
Tennessee Gas	1,438.6	+ 14.0
Chrysler Corp.	1,375.3	+ 2.8
Alcoa	1,360.1	+ 1.7
Cities Service	1,298.2	+ 0.8
Pub. Serv. E. & G.	1,278.6	+ 7.8
Southern Co.	1,278.2	+ 13.0
Baltimore & Ohio	1,262.8	- 1.0
So. Cal. Edison	1,242.3	+ 6.9
Columbia Gas	1,195.7	+ 3.9
Int'l Harvester	1,145.3	+ 11.7
Anaconda	1,080.3	+ 2.2
C & O	1,068.0	+ 0.6
Philadelphia El.	1,045.0	+ 9.1
Republic Steel	1,034.2	+ 2.6
Am. & For. Pow.	1,030.1E	+ 0.5
Armco Steel	1,021.7	+ 13.9
Niag. Moh'k Pw.	1,015.0	+ 4.2
Northern Pacific	1,005.9	+ 1.4
Goodyear Tire	1,002.2	+ 5.0

E-BW Estimate. * Includes "other" income. (1) Year ended 10/31/59. (2) Year ended 6/30/59.
(3) Year ended 1/31/60. (4) 53 weeks ended 2/3/60. ** Sales of tobacco companies include substantial amounts of U. S. excise tax collected by company.

† Assets are net of depreciation but include U. S. govt. sec. carried to offset taxes.

Snapping back vigorously from 1958's recession year, U. S. business rang up record sales last year. The spurt in sales volume was sharp enough to add four newcomers to the honor roll of the billion-dollar club of non-financial corporations.

The newcomers to the sales portion of the list—International Paper (the first paper company to qualify), Lockheed, Sperry Rand, and General Telephone & Electronics (boosted into billion-dollar sales by its merger with Sylvania)—are all in different industries, which shows the general depth of 1959's business recovery. Lockheed and Sperry Rand, in fact, showed the biggest percentage gains in the whole group.

• Some Declines—Not all companies benefited in the general prosperity. Douglas Aircraft dropped clear out of the charmed circle, and five others suffered sales declines. These included two other aircraft companies—Boeing and United Aircraft (the latter showing a sales decline for the second consecutive year), two oil companies—Cities Service and Gulf Oil—and Swift & Co. When all the figures are in, the Great Atlantic & Pacific Tea Co. probably will also suffer a slight dip in volume.

Two companies returning to the list after a year's lapse: North American Aviation, whose electronics business helped produce a 15.2% increase in sales, and Republic Steel, whose sales were up 18%.

Republic's advance reflected the slight gain in steel earnings last year despite the toll of the lengthy strike. U. S. Steel, Bethlehem, and Armco each was able to boost its volume over 1958.

More spectacular were the gains recorded by the big three auto makers. General Motors' sales were up 18.1%, Ford 29.2%, and Chrysler—which showed a 39.3% decline in 1958 as against 1957—upped its sales 22%.

• Retailers—Another strong group was the retailers. They exceeded the average growth of companies in 1958 and achieved similar gains last year. Sears, Roebuck was up 8.5%, and Montgomery Ward, 11.9%.

A number of individual companies also turned in big gains. Radio Corp. of America increased its sales 18.7%, International Harvester, 24.1%, and General Dynamics, 11.4%.

On the asset side, most corporations, as usual, showed increases. The utilities, constantly adding to new plant, showed the biggest asset gains, while the railroads, out to trim excess equipment, showed the slimmest increases. In fact, New York Central, Pennsylvania, and Baltimore & Ohio all showed slight declines in assets. END

In Finance

Household's New Education Loan Plan Has \$10,000 Ceiling and 9% Return

Household Finance Corp., which is running neck and neck with Beneficial Finance Co. for No. 1 spot in the small loan field, this week unwrapped a nationwide plan to help parents finance educational expenses. Household predicts that the program will add \$10-million to its outstanding loans of over \$600-million in the first year. The student loans will be made by a new Household subsidiary—Education Funds, Inc.—which will operate by direct mail from headquarters in Rhode Island. It will be independent, for the most part, of Household's regular loan operation.

The maximum amount Household will lend under the student plan is \$10,000, which is substantially higher than Household usually lends to its small loan customers. However, because the proceeds of the loan are doled out in quarterly or semi-annual installments—rather than being paid in a lump sum—and because repayments start the month after the loan is made, the amount of money in the borrower's hands at any one time is small. This should cut Household's credit risk. With 5% interest being charged on the full amount of the loan, the company figures that its actual return will run over 9%.

A group of five Cleveland banks and the Cleveland Commission on Higher Education this week announced details of a uniform College Education Financing Plan, claimed to be the first city-wide cooperative plan of its kind in the country. The plan will assist eligible Ohio families in financing a college education for their children at accredited schools anywhere in the country.

Philadelphia & Reading Threatens Court Fight With General Dynamics

Backstage skirmishing between two big companies was aired this week when Philadelphia & Reading Corp. said it would seek an injunction against General Dynamics Corp., its former partner, if General Dynamics gets into the ammonia field.

Philadelphia & Reading, which diversified out of coal into boots, underwear, and toys, among other things, had a tentative joint agreement last year with General Dynamics to produce chemical products from anthracite waste. The deal was called off in January—and the two companies took different paths.

Philadelphia & Reading, according to its president, Howard Newman, tried to proceed on its own, hunted for management to run the chemical operation. Newman says this search has stopped, that his company has reverted to its original decision that it needs a partner.

Meanwhile, General Dynamics—which has a "no comment" on the whole proceedings—negotiated with the U.S. government to buy a Morgantown (W. Va.) plant,

where it planned to produce ammonia, nitric acid, and other products. These products would be competitive with Philadelphia & Reading's proposed products at its Pottsville (Pa.) facilities. And Frederick F. Greenman, a Philadelphia & Reading attorney, says General Dynamics has certain competitive information on costs and marketing about P&R's plant. Greenman predicts that General Dynamics won't go through with its Morgantown plans because of this background.

Big New York Banks Lower Charge On Loans to Stockbrokers, Dealers

New York's big banks last week reduced their charge on loans to stockbrokers and dealers, who pledge stock as collateral, to 5% from 5½%. In doing so, the banks recognized the failure of business loan demand to match earlier expectations.

The reduction cancels out a ½-point increase in so-called Street loans in January. At the time, the move was heralded as a prelude to a step-up in the prime rate from 5%. But business loans never picked up the steam expected—outstanding loans on the books of the New York banks have fallen \$234-million since the beginning of the year—and the prime rate held fast.

Now the picture has changed. Most banks say loan demand is still brisk, and point out that the drop in outstanding loans this year is not so sharp as last year's seasonal decline. But some admit they are not loaned up to the hilt, that there is no need to discourage Street loans anymore—particularly since they are subject to call on short notice. They deny, however, that a cut in the prime rate is in the wind.

New Haven RR Gets Drop of Sympathy And a Bucket of Harsh Criticism

The New Haven RR, which is desperately trying to improve its financial position, has received some encouragement—and some damning criticism—from the Connecticut Public Utilities Commission.

On one hand, the PUC acknowledged the New Haven's claim that it suffers from "substantial" losses on its commuter service—though it disputed the amount of the losses—and recommended a mixed dosage of tax relief and some fare increases as a partial cure.

But the PUC's sympathy with the New Haven and its top management ended there. It charged that the New Haven was being run on a "revolving door basis"—it has had seven presidents in the past 13 years—and that the result of these frequent management changes was "little more than organized confusion, impaired morale, and a poorly run railroad." In particular, the PUC blasted the New Haven's purchase—before George Alpert, the present president took office—of \$9-million worth of experimental equipment that was never put into service, and is currently sitting on a siding. The PUC also took the New Haven to task for the money it has spent on publicizing its operating losses and appealing for subsidy.



OUTSIDE LIVING

The Lunar Space Station project at Martin is one of astonishing magnitude, for it coordinates practically all areas of scientific thought into one common objective: *sustaining life in outer space*. Other projects, however, include developing the means for superior defense and devising practical methods for space travel. Persons interested in joining with Martin on these projects are invited to write to N. M. Pagan, Dept. B-20, The Martin Company, P. O. Box 179, Denver 1, Colorado.

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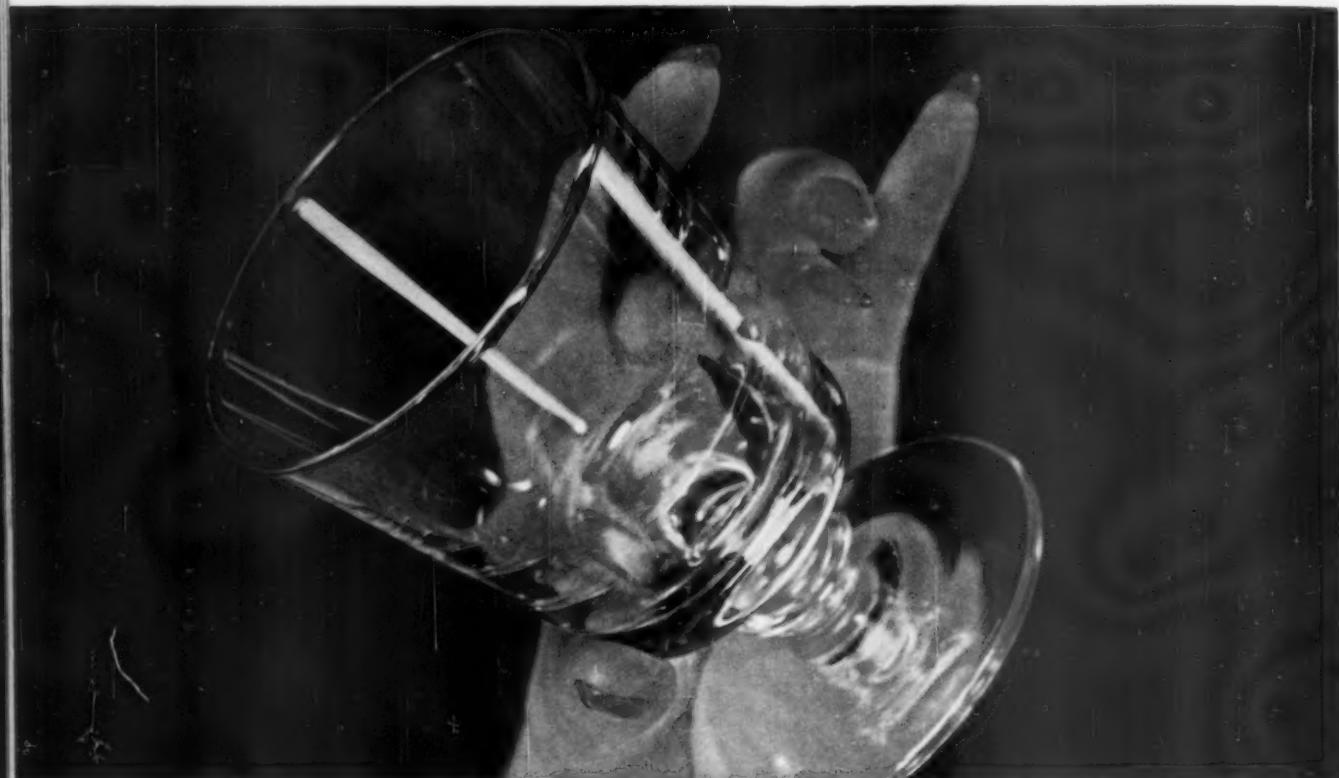


Illustration is new Libbey "On-the-Rocks" glass

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More than twenty years ago Libbey—a division of Owens-Illinois—perfected a unique fire process for safeguarding the rims of fine glassware. They called this glassware "Safedge"—and to prove the process was as good as claimed, they backed it with the most dramatic guarantee in glass history:

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NEW PRODUCTS



GROUND MEAT is put on Valuematic.



MACHINES come off Toledo Scale line.

Computer Prints Price Tags

Supermarket operations can be speeded by this "baby" computer that automatically weighs groceries, figures the price, and prints labels before they go on the shelf.

A simple digital computer is the heart of a new electronic weighing system for back-room prepackaging that Toledo Scale Corp. is offering the wholesale and retail grocery trade (picture). Enclosed in a single housing, the unit, known as the Valuematic, weighs an item to the nearest hundredth of a pound, computes its price, then prints and delivers a label with this information. The entire operation is done automatically in about one second.

It works like this: A photocell counter converts the weight of an item placed in the scale pan into electronic pulses. These are fed to the computing element, which multiplies the weight reading by the price per pound and triggers the printing paraphernalia that pumps out the finished label.

Interchangeable plates (something like metal credit cards) and frames imprint on the label the store's code, the date, the name of the commodity (sirloin steak, for example), its grade line (U. S. choice, say), and price per pound, and rotating number wheels print the computed weight and total price. To safeguard the system against any mistakes by the operator, signal lights and automatic locks are built in. The whole rig is powered from an ordinary a.c. outlet.

- **Replacing One Man**—The Valuematic can handle 30 packages or more a minute, depending on the skill of the

operator. Richard Moss, executive vice-president of Toledo Scale and general manager of its scale division, estimates that in a high-volume supermarket, processing 7,000 to 8,000 packages a day, a man with a Valuematic can do the same amount of work as two men with present prepackaging equipment. This means that the unit, which lists for \$4,750, would pay for itself in less than a year.

The company feels that the commercial outlook for the new machine is pretty promising. Most big supermarkets and chain stores prepackage and label meats and cheeses. In addition, there has been a trend lately toward doing the same with fruits and vegetables, in order to sell them by weight rather than count.

Toledo's market studies turned up about 20,000 locations across the country that might use Valuematics. This indicates a potential market of around \$95-million, almost twice the company's record 1959 sales of \$52-million. Moss says field tests in the Chicago area and an exhibit at a supermarket show in Atlantic City have already yielded a backlog of orders larger than the present production schedule can fill.

Toledo Scale engineers worked on the new equipment for several years before it was introduced. It is being manufactured in the company's main

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Toledo plant. Eventually, the company hopes it can be marketed for industrial applications and other uses in addition to its role in the grocery business.

NCR Aims Computer At Smaller Companies

National Cash Register Co. has a new computer—a small, transistorized machine called the NCR 390—that it thinks will attract smaller companies interested in processing their records electronically.

The 390 has an input-output device that enables it to read a slightly modified form of ordinary business document. NCR coats the backs of ledger cards with strips of a magnetic material, so that the same information can be typed or printed on one side and stored in computer code on the other. This way, a card is fed into the machine only when its contents are called for in a processing operation; the rest of the time, it can be kept in a conventional reference file.

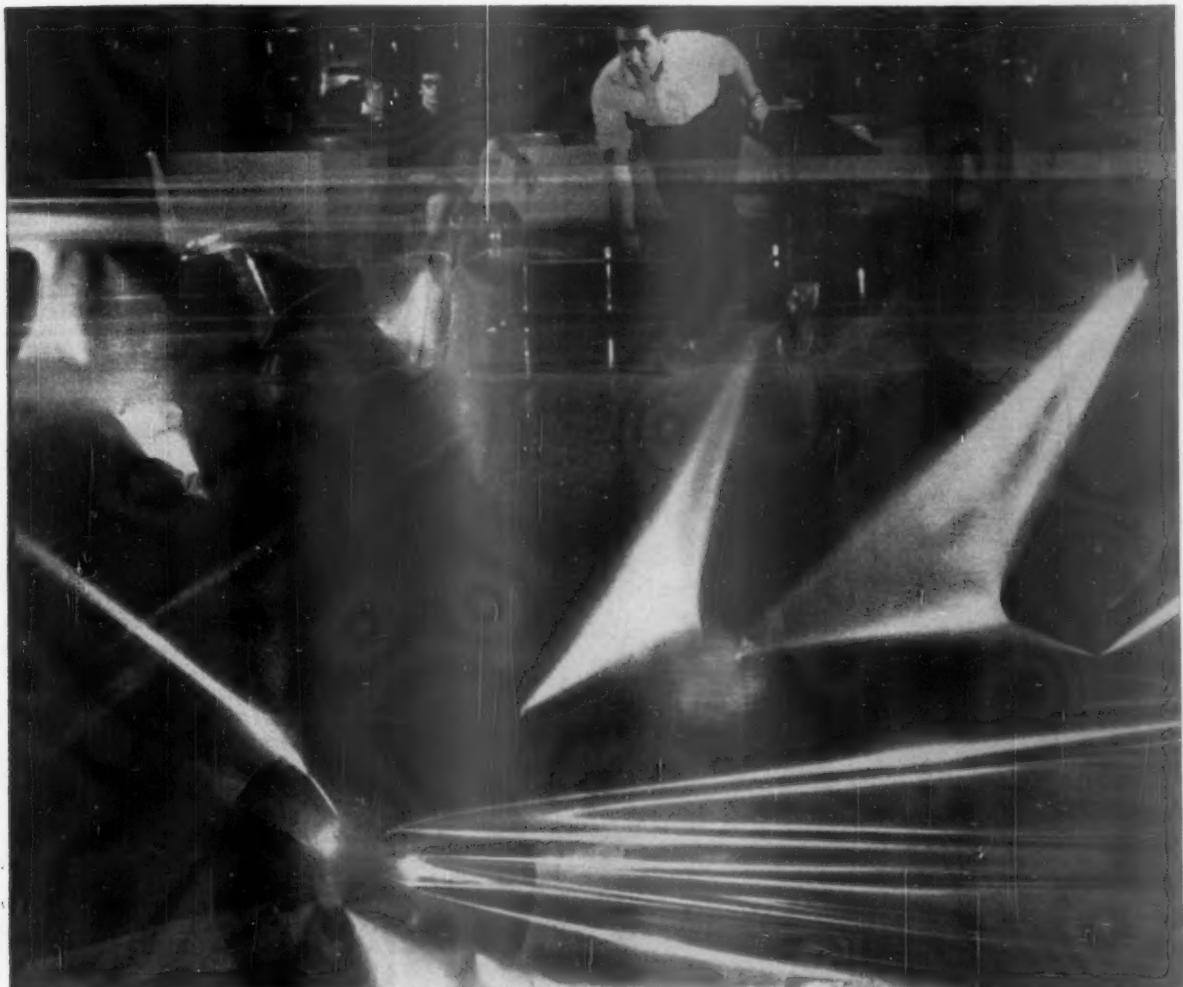
Besides its ability to process magnetized ledger cards, the 390 has skill at handling punched paper tape and punched cards.

• **Flexible Device**—The new machine is not designed to grind up huge volumes of information at high speeds like the bigger machines; so it will be most valuable in the offices of small companies and divisions of corporations. But, for its size, it does have a surprisingly powerful apparatus for receiving commands. In response to a single instruction, it can draw on three pieces of information from different locations in its magnetic core memory and tie them in with a new piece of information. This gives the machine a great deal of programing flexibility.

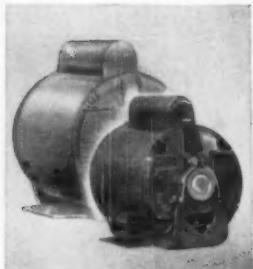
The 390 is in the low-price class: It sells for \$75,000 and leases for \$1,850 per month. NCR says it already has a backlog of about 50 orders. According to present production schedules, it expects to deliver 100 units in the first quarter of next year.

Spare Tire Lies Flat

A new kind of spare tire soon to be on the market is the Dunlop Tire & Rubber Corp.'s answer to the automobile owner's plea for more trunk space. Resembling a flat tray, it consists of a deflated tubeless tire, less than an inch thick, mounted on a thin steel disk instead of a conventional wheel. The disk is drilled to match the wheel studs of the car. When he gets a flat, the driver inflates the new spare with a carbon dioxide bottle and bolts it on in the usual way. It will cost considerably less than a conventional spare, says Dunlop.



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A Vital Topic—Business Vitality



IN ROTUNDA of Columbia's Low Library, Kappel addresses 600 executives in fifth annual lecture series sponsored by Columbia B-School and McKinsey & Co.

In this year's McKinsey Lectures, AT&T's Pres. Kappel outlined how a business—and its employees—can stay energetic.

Last Thursday afternoon, 600 executives filled all the seats in the rotunda of Columbia University's Low Library to hear Frederick R. Kappel, president of American Telephone & Telegraph Co., give the last installment of the three-part McKinsey Lectures. His topic was the broad subject of business vitality. But the audience listening intently knew that they were getting more than theory. Kappel was giving them a practical inside look at the management philosophy behind the success and growth of one of America's biggest corporations.

This kind of down-to-earth approach to the complicated job of top management is the major purpose behind the annual McKinsey Lecture series. The co-sponsors are McKinsey & Co., the management consultant concern, which picks up the yearly \$7,500 tab, and the Columbia Graduate School of Business. Kappel is the fifth chief executive of a giant corporation to be invited to take the velvet-draped rostrum in Low Library (picture, left).

• **Past Practice**—In each previous McKinsey Lecture a chief executive probed the major management area that he felt was affecting business the most. In 1956 Ralph J. Cordiner, chairman of General Electric, lectured on the management problem brought on by corporate bigness.

Three years ago, Theodore V. Houser, then chairman of Sears, Roebuck & Co., called for a humanitarian approach to the problems of a big company's relationships with employees, customers, and the public.

In 1958, Crawford H. Greenewalt, president of du Pont, narrowed the focus and concentrated on ways for the corporation to get the most out of its executives. He favored fostering individual thought and fighting against the kind of conformity that smothers identity and fresh ideas.

Last year, Roger M. Blough, chairman of U.S. Steel Corp., pinpointed the external forces that affect corporate performance. He argued that there were many in powerful unions and government who failed to understand the dynamics of productive groups.

• **Kappel's Tack**—This year, Kappel turned to the problem of how to build and maintain vitality in a giant corporation with facilities and people spread



AFTER LECTURE, discussion interests (from left) Earl Newsom, of Earl Newsom & Co.; Kappel; C. J. Myers, chairman and president of New York Life; Pres. L. A. Petersen of Otis Elevator.



POINT is emphasized by Kappel to Columbia B-School Prof. George C. Thompson (left) and Dean Courtney C. Brown. After each lecture, invited guests stayed on for dinner.



LISTENERS at post-dinner session include (from left) R. C. C. Kwei, student; Edward H. Green of Sullivan & Cromwell; Pres.

William Petersen of Irving Trust; Pres. C. M. Brinckerhoff of Anaconda Co.; Vice-Pres. D. R. Arnold of Reuben Donnelly Corp.

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from one end of the country to the other. For AT&T, this is an especially important problem, although it affects every big company to some degree.

The danger of losing vitality is more obvious and perhaps harder to combat at AT&T. It is an old company that has been established in its field for many years, and it is in a regulated industry where it would seem, to the casual observer, to lack the competition that spurs other companies.

But AT&T has not stood still with age. The growth of telephone service and the extensive and rapid technological progress the company has made—especially at its Bell Labs—seem to belie the idea that a giant regulated company loses the will and ability to improve and grow. And the important part Kappel has played in the dynamic development of AT&T would seem to make him singularly qualified to talk about building vitality.

- **Specifics**—For Kappel, vitality is a broad concept indeed. He calls it the "power a business generates today that will assure its success and progress tomorrow." But after accepting this wide-angle generality, there are very specific steps that an executive must take, whether at AT&T or any other company, to insure that vitality is present and flourishing. Kappel zeroes in on three major factors.

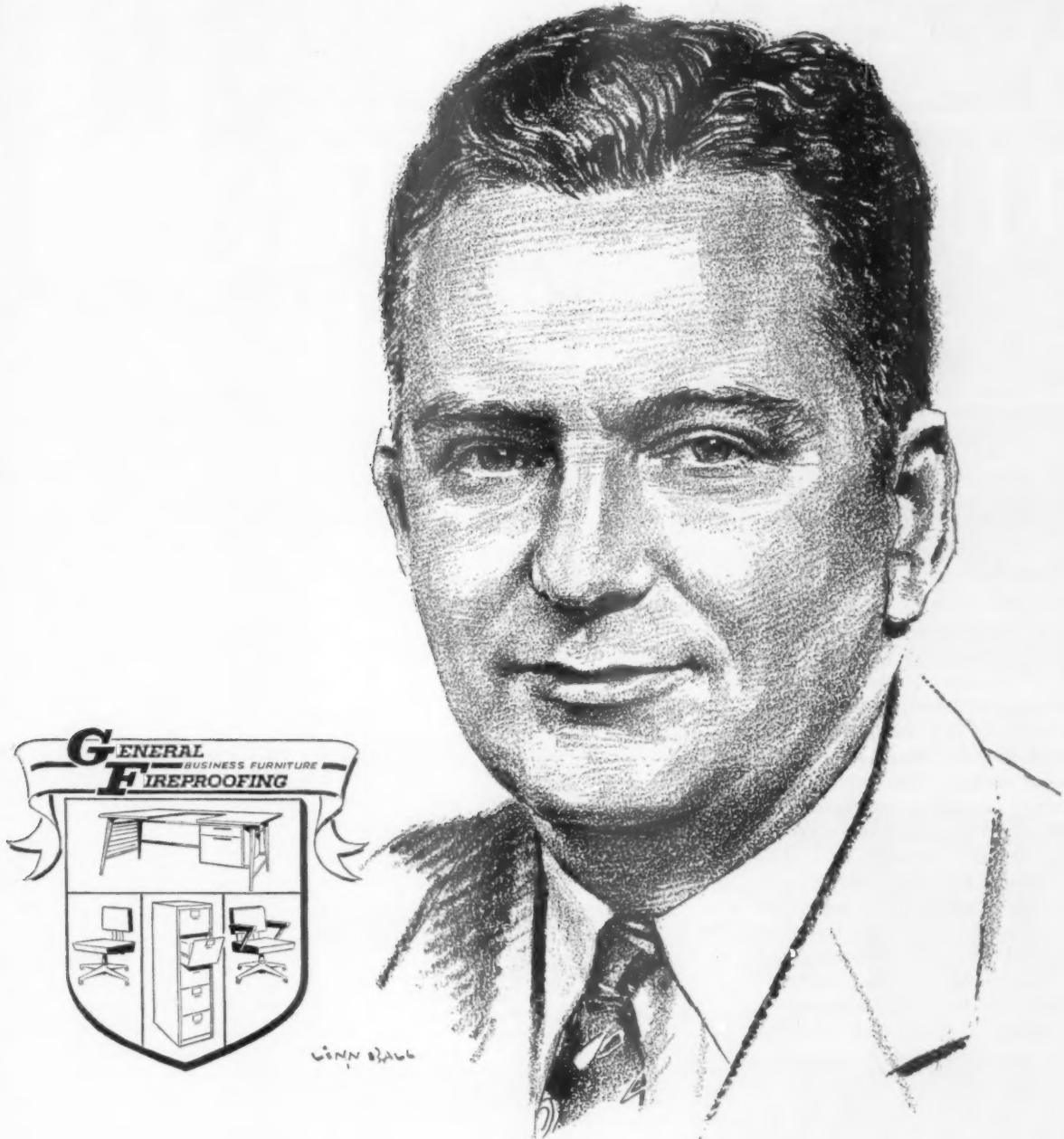
He says an effective executive must:

- Recognize the forces both within the company and in the community at large that work against vitality.
- Hire and promote people with great vitality and then actively contribute to the growth of their vitality.
- Constantly check on all aspects of business operations in which vitality or the lack of it are apt to show up—and make needed corrections fast.
- **Stay Out of Ruts**—In more detail, these are Kappel's views:

The first sign of lost vitality is a tendency of people to cling to old ways of doing things; so progress must be the habit of everyone in an organization. Furthermore, the pressures of the day must not be allowed to retard thinking and planning for the future.

Of particular danger to a company as big as AT&T is the growth of institutionalism—a feeling that "the company is bigger than all of us." In this atmosphere, people tend to think that what they do has no effect. Managers in a giant corporation—and elsewhere—are also prone to develop a low tolerance for criticism: "The situation can go so far that any overt criticism of company affairs is viewed as just plain out of order."

Outside the company there are also factors that tend to sap vitality. A particular danger is specialization because it "can seriously weaken an individual's understanding of his total responsibility."



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Adjustments in remaining lives

Depreciation is computed on the estimated useful life of an asset. The regulations carry forward the previously expressed philosophy about making periodic adjustments in the estimate of remaining lives. One provision which should not be overlooked states: "The estimated remaining useful life may be subject to modification by reason of conditions known to exist at the end of the taxable year and shall be redetermined when necessary regardless of the method of computing depreciation. However, the estimated remaining useful life shall be redetermined only when the change in useful life is significant and there is a clear and convincing basis for the redetermination."

How can you tell when "significant" adjustments may be made in the depreciation provision? One instance would be when modernization or changes in methods or products make existing assets obsolete sooner than originally assumed. Another would be multiple-shift operations which increase the wear and tear and shorten the life of machinery.

Need for item control

The adjustment of remaining lives will be easier to determine—and to support—under item control of depreciation than it will be under group,

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ties as a human being." In addition, present-day pressures on school systems, from individual parents and the community as a whole, sometimes result in acceptance of mediocre standards that depress vitality.

• **Bell's Answer**—Since people make a business and vital people make a vital business, the Bell System tries to help build the vitality of its employees. Managers at all levels are made to wrestle with special assignments outside the context of their regular jobs, either alone or in groups. These projects can be concrete, such as how AT&T can improve service to a particular type of customer, or esoteric, such as finding out if profit affects "corporate citizenship."

The general aim of such projects is to set demanding goals, support attitudes of independence, and demand the best of individuals at all times—all factors that build vitality.

• **Checkups by the Brass**—Finally, top management executives must make a constant check on all business operations that may reflect vitality.

Profit, for one thing, is closely tied to vitality since today's profit enables a business to prepare for success tomorrow. But on the other hand, the drive to a satisfactory profit must not be at the expense of other factors needed to keep a business healthy and growing.

Another area is the creation of a favorable climate of public opinion for business. This climate is poor these days, and this has an adverse effect on business vitality.

• **Talk After Talk**—After the conclusion of each lecture, Kappel and about 70 invited guests headed for the Columbia Men's Faculty Club to continue the discussion at a cocktail party. About 40 of this group stayed on for dinner and a lengthy question period.

At one of these dinner sessions, the guest list was made up of executives representing a wide range of business activity. Two previous McKinsey lecturers, U. S. Steel's Blough and du Pont's Greenwalt, were on hand. So were C. M. Brinckerhoff, president of Anaconda Co.; E. H. Green, partner in the New York law firm of Sullivan & Cromwell; C. J. Myers, chairman of New York Life Insurance Co.; L. A. Petersen, president of Otis Elevator Co.; and W. E. Petersen, president of Irving Trust Co.

In this session, the subject of vitality was almost completely ignored, but the talk reflected the influence of the lecture nevertheless.

• **Books and B-Schools**—After some discussion of stockholders' meetings, the executives turned a critical eye on management textbooks and graduate business schools. This touched on a point made by Kappel in his lecture that afternoon: "I have found very little in

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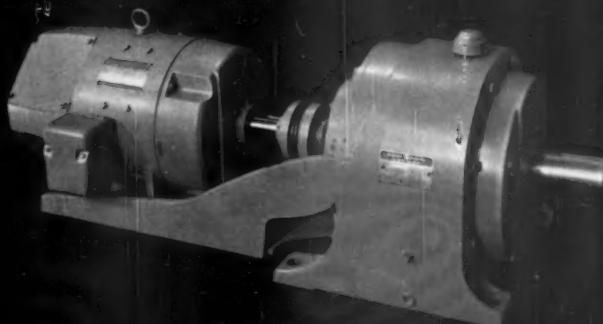
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the literature of management that has helped me to be a better manager." He went on to say that to help build vitality, "business organizations, including my own, might well do a lot more to study their own important experience and write about it so that all might profit by it."

With more than a little relish, the executives attacked most management books as having little value because people without business experience usually wrote them, and the subject defied rational analysis anyway. As one company president said: "We just don't know the qualities one must have to become an executive or how one becomes an executive." Said one chairman of the board of a billion-dollar company: "It's the seat of your pants that tells you how." One executive summed up the feeling about a well-known textbook: "It's not worth the powder to blow it up."

When one of three business students present asked if the executives really thought graduate business schools were worthless, Dean Courtney C. Brown of Columbia B-School entered a spirited defense. The schools can do three important jobs, he argued:

- Acquaint students with the vocabulary and processes of management.
- Develop intellectual qualities that will be helpful later.
- Help the student to think about some of the characteristics of his society that affect business and so help him develop ethical standards.

• **Profits Needed**—At this point, the discussion turned back to Kappel and AT&T. One Columbia professor raised the issue of whether the earnings of regulated industries should be controlled. Kappel had complained in his speech that many people thought his business one "where money is plentiful, and the revenue flows in without your having to fight for it." He argued that in order to serve the public properly, the telephone companies needed profits as high as successful nonregulated industries. And he said that if AT&T were allowed higher earnings in prosperity years, telephone rates could be reduced and more money spent on research.

Several dissenters in the group argued that if greater amounts of money were spent on research, at least, the company could use the expense to get increases in its regulated rates and so maintain its profit. They pointed out that current regulations had not interfered with the operation of the successful Bell Labs.

Winding up the meeting, the executives discounted the idea that computers would ever take over their jobs. The vitality of executive decisions, they agreed, would always be the critical factor in business growth. **END**

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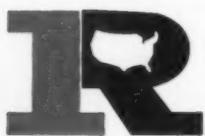
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You wonder how you'd guide its massive power.

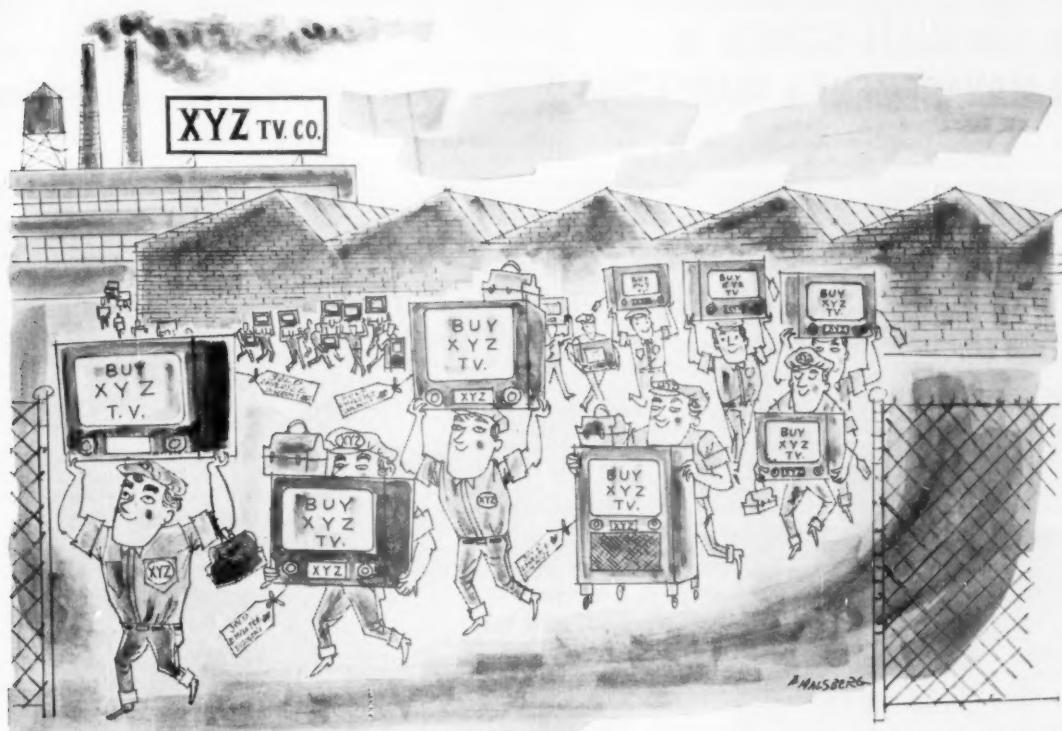
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Needs his easy knowledge of the road,
And how to get the goods from here to there.
The people watch him pass and speculate
On where he's bound and when he'll come again.

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Buying Begins at Home

Most companies don't openly pressure workers to buy their products—but they're usually "encouraged" to do so.

Employee discounts are an old American custom, and one that most companies are happy to go along with. For one thing, the practice encourages employees to buy the "home" brand and—particularly when the product lines are varied—such buying can be substantial.

Radio Corp. of America recently played a variation on this theme to promote sales of its color television sets. The company is giving its personnel an especially low price—on easy terms. Employees can pay for the sets through paycheck deductions over 36 months, with no downpayment. The idea, says an RCA spokesman, is to spread color TV about so that employees will talk it up to their friends.

• **Tacit Understanding**—While it's unusual for a company deliberately to use employee sales to boost its product, there often is a tacit understanding—at least among company executives—that workers will shy away from the competitor's product.

The auto makers are among those that most strongly "expect" employees to buy the brand they are helping to make.

They usually get a helping hand from the unions on this stand, too. The Ford UAW 600 local in Detroit—through union newspaper articles—periodically reminds members to buy Ford cars, pointing out that the more Fords sold, the more jobs for Local 600 members. In at least one case, union support led to loss of jobs for auto workers who refused to drive the cars they made.

In 1953, the South Bend Studebaker local ordered all members to make sure their cars were Studebakers. When a few workers refused to trade in competitors' cars, the union demanded their dismissal. The company complied, and the National Labor Relations Board upheld the firing on the ground that the other workers would not work with the mavericks.

• **Pressure Is Subtle**—The mavericks usually are few, although pressure to buy is generally more subtle. One General Motors man, for instance, was promoted and moved into the Cadillac division. No one told him he had to buy a Cadillac, but after he had been on the job a week his new boss casually mentioned, "By the way, your new car is waiting down in the garage any time you want to pick it up." That accounted for a hefty chunk of his first-year pay raise.

Vendors to the Detroit companies have long understood the importance of

driving the right car to the right plant. That's why some steel suppliers keep pools of various-make autos in Detroit—salesmen fly to town, pick up the proper brand of auto for each visit. Some vendors, in desperation, have switched to foreign makes, feeling that they may be less offensive to the prospective customer than a U.S. competitor's car would be.

But as common as such "brand loyalty" worries are in Detroit (and on Madison Ave., where "Use Thy Clients' Products" is a commandment), they are by no means restricted to Auto Town. BUSINESS WEEK reporters talked to companies and to employees across the country, and found the same pattern: Management "expects" employees to use the company product—and the products of the company's customers.

A Milwaukee brewery comes right out with it in the handbook given to all new workers: "Employees are expected to support the company's product." But such candor is unusual.

Unusual, too, is the du Pont policy. "Our management has more important things to do than snooping into the buying habits of our 90,000 employees," one official said.

More typical is the stand taken at Philco Corp. The company has no policy on such matters, management insists, but when asked whether any

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EIGHTH
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... most employees consider the buying of company brands just a customary thing ...

(STORY on page 93)

employees ever made a point of not buying Philco products, the answer was short: "Not for long."

• **Persuasion**—There are middle roads of persuasion, too. A Midwestern glass maker lists on bulletin boards and in the employee magazine the names of its best customers for tubes for TV sets, and suggests that employees "check" these brands before buying a television. General Motors regularly posts blowups of its magazine ads around car assembly plants. One Detroit supplier of parts to Ford and Chrysler will finance employees' purchases of cars made by these companies.

However, such persuasion is generally unnecessary—most employees, especially those anxious to climb, consider buying company brands just a customary thing. They are usually appalled at the thought of being caught with the wrong soap or Christmas tree lights.

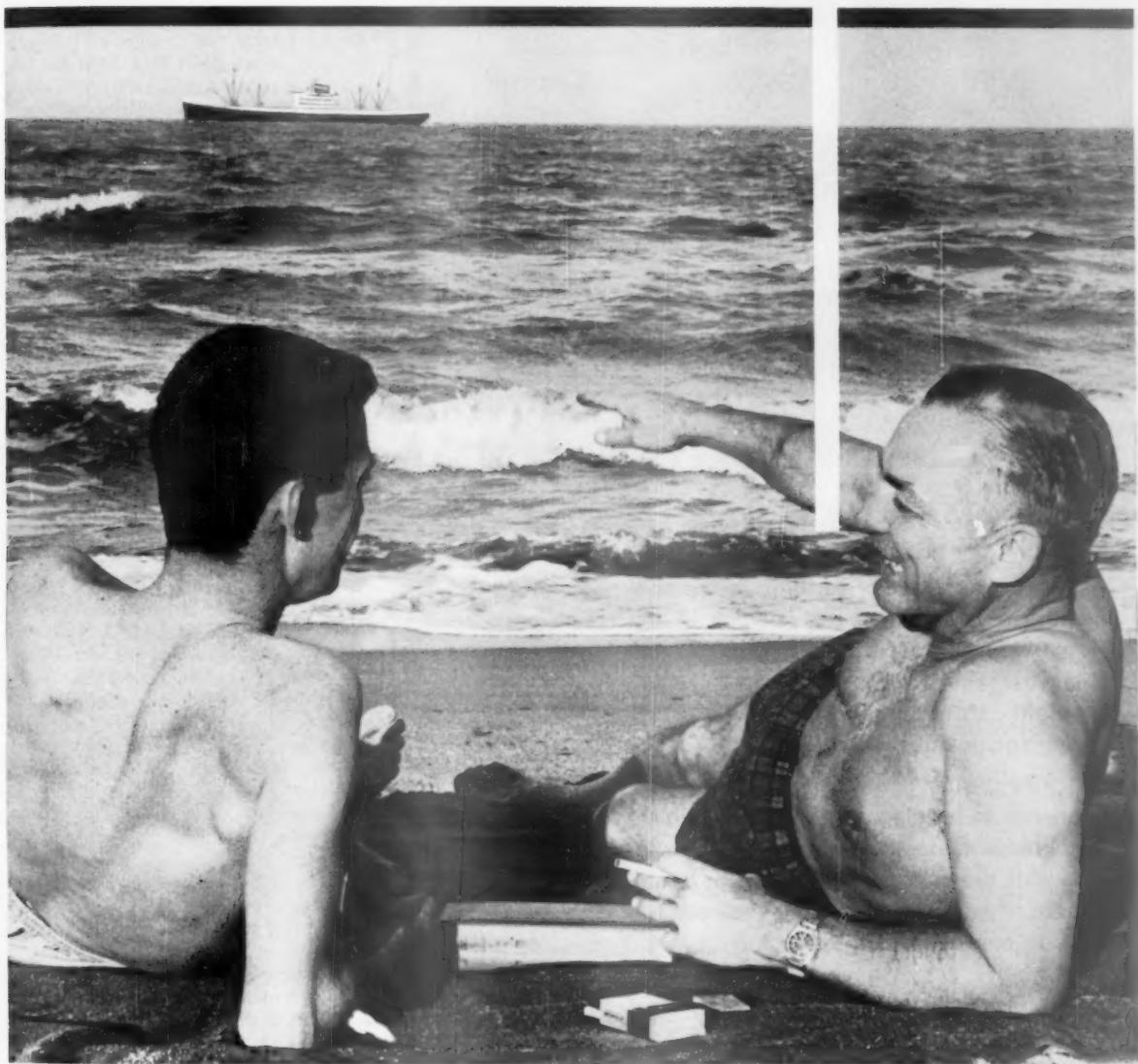
"I'd be awfully embarrassed if one of my friends or neighbors found a Philco TV set in my house," one Westinghouse worker in Pittsburgh said. The wife of an Alcoa employee gasped, "Wouldn't it be great if someone caught me reaching for Reynolds Wrap in the supermarket?" A junior Procter & Gamble executive in Kansas City admitted, "I'd feel awful if I had my boss over for dinner one night and he found some Lever Bros. products kicking around in the bathroom."

Occasionally this support of the employer's products extends beyond the employee's own use. One Houston bachelor had a tiff with a girl friend when he pulled into a Texaco station for gasoline one night. The girl worked for Humble. An electric utility makes a point of cashing in on this kind of proselytizing by giving employees coupons when a contact they have made buys an electric appliance. The employees can use the coupons for appliances of their own.

• **Policy Measures**—The farther up the corporate hierarchy a man is, the farther afield this "brand loyalty" is likely to spread. The manager of a du Pont rayon plant always bought General Motors cars because du Pont owned a substantial interest in GM. An official of the company that makes the vacuum bottles marketed by Sears, Roebuck always chooses a Sears product over a comparable product elsewhere.

The wife of the president of a big farm equipment maker is dying for an MG but her husband—although he likes

"In half an hour, she'll dock right at our new plant"



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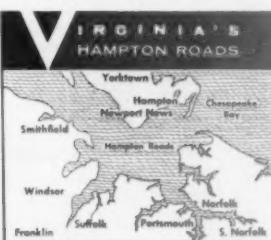
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...there are employees who turn down discounts because they just don't like the product...

(STORY on page 93)

the foreign car, too—bought a Plymouth because "it wouldn't look right for the president of an American firm to drive around the city in a European car." An executive of one auto parts maker that had been badly hurt by foreign competition made his wife return a pair of picture frames that she bought before she noticed they were stamped "Made in Japan."

• **Better Deal Outside**—With big discount houses and cut-price dealers springing up around the country, companies frequently have trouble keeping the employees' discounts (generally between 20% and 25%, according to a National Industrial Conference Board study) up with the reductions they can get at outside stores. Chrysler Corp., for instance, is the only one of the Big Three to give discounts to all employees, but its standard off list is no particular carrot; most Detroit dealers regularly knock off more than that.

• **Rebels**—Even with discounts, there are employees who turn down company products not for ideological reasons, but because they just don't like the product. An engineer for an electronics company, for instance, asked if he used its components in his hi-fi set-up scoffed, "No! Our equipment is O.K. as far as it goes, but except maybe for the speakers, I wouldn't have any of it in my system." The public relations manager for one Midwestern feeder airline that uses DC-3s always flies the Stratocruisers of a national competitor—even between cities that his own line services. "I just can't stand those DC-3s," he says. The president of one brewery generally drinks gin—to the consternation of the advertising account executive who switched from bourbon to beer when his agency landed the account.

There are philosophical mavericks—those men who make a point of not buying the company's products lest they feel themselves kept men. One General Motors engineer in Rochester, N. Y., says that a major reason he rebelled and went elsewhere to work is his feeling that "anything but a GM car in the parking lot almost invariably gives rise to gentle hints to the owner."

An executive at one Canadian brewery managed to reach his own personal compromise. Entertaining a guest in the company lounge, he drank beer until 5 p.m., then switched to whiskey. "What I drink after 5 o'clock is my own business," he explained. **END**

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In Management

Women Administrators Find Wider Field For Jobs, But Few Rise Very High

Women administrators, once relegated to personnel departments, colleges, and retail stores, are not so easily typed any more. Checking up on the 816 women who graduated from the Harvard-Radcliffe Program in Business Administration between 1938 and 1958, the program's director, Christine Hobart, found they have been branching out into increasingly diverse careers.

Few have made their way into top or even middle management, she reports in the *Journal of College Placement*. **Only a handful earn \$10,000 a year or more.** But in the lower-level staff and administrative brackets they are likely to pop up almost anywhere.

Ten years ago, 36% of the program's working alumnae were in personnel work; 10% were in educational administration; 8% held clerical and secretarial jobs. Now the proportion in the personnel field is down to 17%; in educational administration, down to 4%; in the clerical category, down to 5%. Filling the breach are such assignments as research and analysis (17%) and administrative assistance (16%).

The most notable change is the way the Radcliffe program's products have been invading the financial community. Only 5% of the women who graduated in or before 1952 went to work for banks, investment firms, and insurance companies. A fourth of the 1958 graduates did, and now 17% of the employed graduates collect their paychecks from financial institutions. Mostly they are researchers or assistants, but four are full-fledged security analysts and three are brokers.

The group's administrative training seems to have paid off. Thirteen per cent hold managerial jobs, compared to about 7% of other employed women college graduates. The Radcliffe program's alumnae roster includes the president of a towing company, a vice-president of a public relations firm, an associate partner in a management consulting firm, and an associate partner of a television production company.

Workers Found Happier With Automation; Those Who Don't Get It Are Depressed

Boosters for automation have been arguing that it will make workers happier because their jobs will be more challenging and their working conditions will be pleasanter. University of Michigan researchers, studying the results of automation in an electric utility, came up with some support for this claim.

But there were complications, Floyd C. Mann and L. Richard Hoffman report in a new book, *Automation and the Worker* (Henry Holt & Co., Inc.). Automation did improve the working climate in the plant that got the new equipment. But the morale of employees in a non-automated plant went down.

With automation, jobs were broader and more varied, and the workers found them more interesting and more satisfying. Because work stations were physically more concentrated, the employee group was more cohesive. And because the smaller size of the work force reduced the number of levels of supervision, communications were better and foremen had more status.

Even in the new plant, all was not rosy. Centralization of maintenance services produced discontent and conflict. Despite careful training, workers were tense in their new jobs.

But the real problem was the old plant. There the workers felt they had lost prestige; they feared that their jobs were less secure.

In planning for automation, the authors conclude, management should not get so involved with the problems of the new plant that it neglects "the realities of the total organization." "Focusing on the point of innovation," they warn, "fails to prevent the development of disturbing conditions" in other areas.

Management Briefs

The downward trend in freshman engineering enrollments will probably be reversed next fall, says the Engineering Manpower Commission of the Engineers Joint Council. After rising steadily for seven years, the size of entering engineering classes dropped 11.1% in 1958 and 3.4% in 1959. But next fall 83% of the 151 engineering schools surveyed by the commission expect to maintain or increase their freshman enrollments.

American companies are taking over the training of Dutch scientists and technicians in a novel program sponsored by the Netherland-America Foundation. Under the plan, companies such as Continental Can Co. and International Telephone & Telegraph Co. make tax-deductible donations to the Foundation, which in turn makes tax-free grants to the trainees, who have paid for their own transportation to the U.S. At present, 44 young Dutch men and women are taking a year or more of on-the-job training under the program.

Going to college may have some unexpected advantages for the aspiring executive, a New York Hospital-Cornell Medical Center study suggests. Comparing two otherwise similar groups of junior executives—one consisting of high school graduates and one of college men—the doctors found that the non-college men had more minor and chronic illnesses and more disability from illness. Although the two groups had similar diets, the high school grads ate lighter breakfasts, indulged in more between-meal snacks, and smoked more.

Small businessmen are afraid of management consultants, Harvey C. Krantzman, president of Advanced Management Associates, Inc., and John N. Samaras, Harvard Business School doctoral student, concluded after a survey of 700 managers of small companies. They report in the May-June issue of the *Harvard Business Review* that small businessmen fear high fees, excessive demands on their own time, and leakage of information. Moreover, they tend to view the use of a consultant as an admission of failure.



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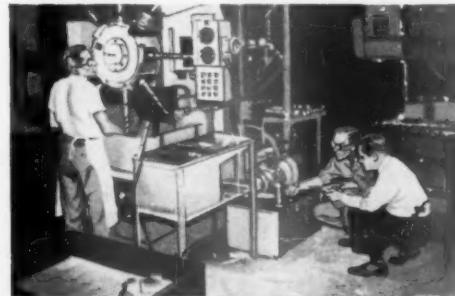
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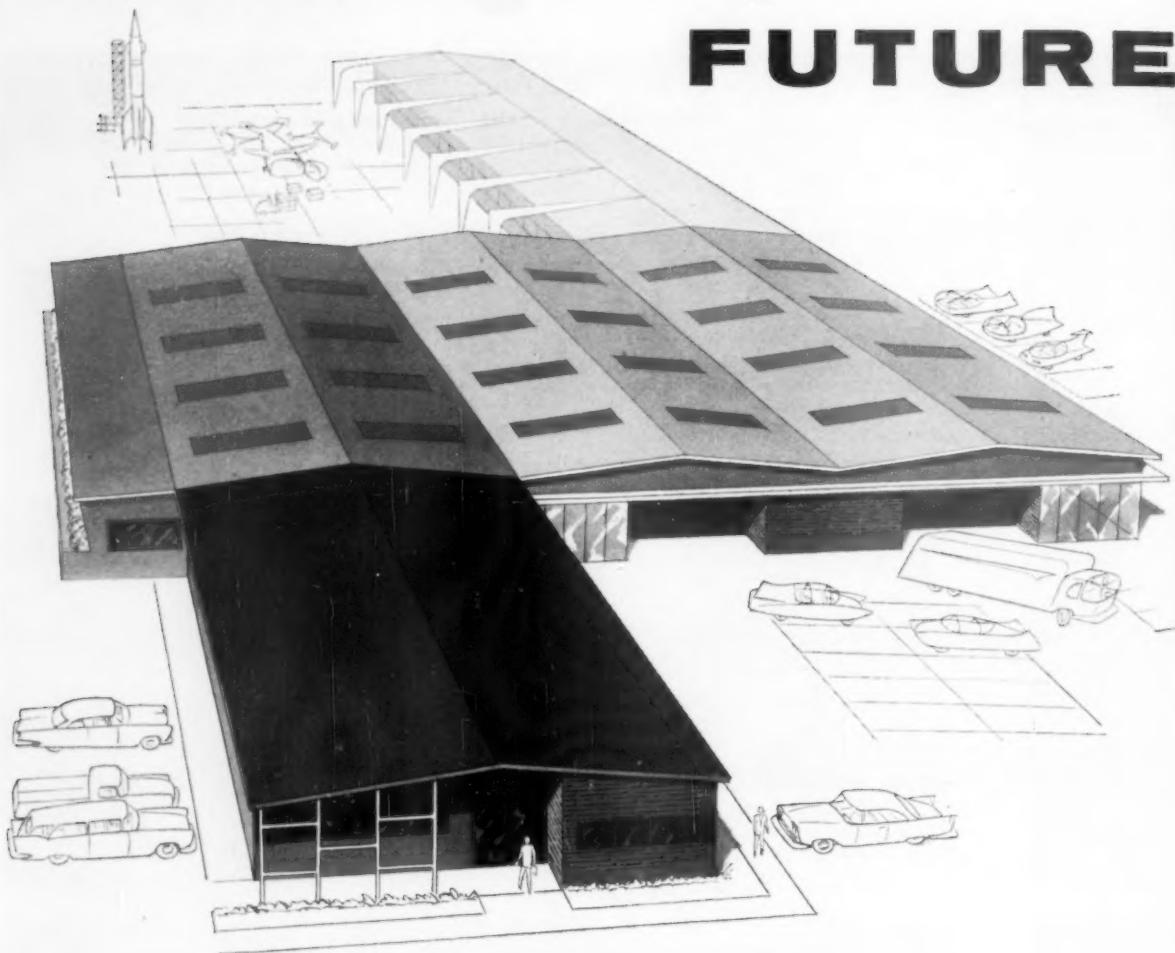
3. On PESCO's hydraulic machinery, oil deterioration led to sticky valves, erratic operation, machine tool shutdowns. Mobil trained plant personnel in preventive maintenance procedures, recommended proper fluids . . . cut hydraulic maintenance by 40%.



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Crucial Test for McDonald

● **Insurgents are increasingly active within USW; their strength will be tested in mid-June local elections.**

● **By July 1, the important union-public-company study group set up to work out a new formula in industrial relations at Kaiser must make a report on its progress.**

● **If the study group report produces a spectacular formula, USW Pres. McDonald would be a big winner; if not, he is more vulnerable to attack than ever.**

With the possible exception of Presidential hopefuls, it's unlikely that anyone in the United States will be busier, for the next 120 days, than Pres. David J. McDonald of the United Steelworkers.

McDonald's hopes for a restful summer after the trouble-filled one in 1959 were dashed last weekend. About 75 USW insurgents met in Pittsburgh to organize for another test of the international union's policies—and possibly to unseat McDonald's leadership. The insurgent group poses a problem that will continue through the USW election early in 1961. At the same time, McDonald will have plenty of other problems. The timetable looks like this:

- Two weeks hence, Negroes in unions will organize a puzzling new faction (BW—Apr. 30 '60, p. 139). Some efforts are being made to tie the USW insurgents to the new Negro American Labor Council, even though both parties deny there's any move, now, to do so. Within USW, concern about NALC is already developing. It would worsen if an insurgent-NALC tie is worked out.

- By mid-June USW local unions will elect officers. The insurgents expect to make substantial gains. The international union faces numerous grassroots fires kindled by strike and contract dissatisfaction.

- By July 1, the public-union-company committee charged with working out a new corporate way of life for Kaiser Steel Corp. must report to Kaiser and USW. That deadline is as strategic as any McDonald has faced for years.

- And by July 15, McDonald either must turn up a formula under which Pittsburgh Steel Co. can lower its labor costs or allow the company to go ahead with its own proposal for cutting incentive rates selectively.

McDonald must meet and master these deadlines during a quarter when steel employment will be sagging visibly, as the mills shed 15 to 20 points from

their handsome first-quarter operating rate of about 94%.

For the remainder of the summer, McDonald must plan and organize USW's biennial convention, which will open Sept. 19 at Atlantic City. The convention, of course, will be a key to the referendum on USW officers, which will take place next February.

I. Oh, Mister!

If they work at it intelligently and hard, the USW insurgents can make it a long, tough summer for McDonald. They got at the task by picking a new name—Organization for Membership Rights, or OMR, which they'll promote as "Oh, Mister!"

As well as getting a new name to replace the outworn "Dues Protest" label, the insurgents:

- Reelected Donald C. Rarick as international chairman, after avoiding what could have been some divisive organizational pitfalls.

- Laid out, by resolutions, a platform that could make trouble for both steel management and labor if it's sold articulately to the rank-and-file.

- Importance to Management—For management men, the key to the OMR-USW struggle is this:

McDonald is in mid-passage on a program that he hopes will mend labor-management relations in steel: minimize strikes and the self-defeating form of contract negotiations that sometimes make strikes inevitable; and reconcile the union's fear of technological unemployment and management's insistence on cost-cutting.

OMR, on the other hand, will be selling rank-and-filers a program designed to thwart exactly what McDonald is trying to sell.

If OMR plays down its factional, intra-union fight with McDonald and instead plays up effectively its drive to protect jobs, it will be availing itself of

the issue on which the USW membership closed ranks and fought out last year's 116-day strike.

- Progress Report—The McDonald-supported joint committee charged with trying to create a new bargaining climate for the steel industry must report by Nov. 30. That report will show exactly what McDonald has accomplished—whether costs have been cut enough to avoid a steel price increase; whether there's to be any continuing, effective communication between industry and union; whether the parties can arrive at contract-negotiation time with enough mutual understanding and trust to bargain out all details before an on-rushing deadline forces a strike.

Immediately following that Nov. 30 report, nominations for international union offices will be made and campaigning will start in deadly earnest for USW's February referendum. Whether McDonald succeeds or fails, whether or not he has any USW-industry cooperation to report, the OMR will have a new target in its drive to save mill jobs.

- OMR Threat—If McDonald has made an effective trade with the industry, OMR could charge that he should have been fighting management to protect workers against further automation. If he hasn't anything significant to report, the OMR pitch can be that McDonald has demonstrated his inability to sell even his own program.

All this, of course, is dependent on whether OMR spends the next six months convincing rank-and-filers that it is out to protect mill-workers' jobs. If it concentrates on a "We-hate-McDonald" campaign, the threat will be less imposing.

II. Save Those Jobs!

OMR's platform contains a number of provisions that would make any union administrator's hair stand on end—for compulsory strike votes, election of union staff men, and so forth. But these are just the "damn you Dave" window dressing. The proposals that make OMR's position really critical to management include these eight:

- A six-hour day at eight-hour pay.
- Local ratification of contracts the international makes. This point contributed to Pittsburgh Plate's four-month strike in 1958-59.
- The vesting of pensions.
- Contractual guarantees on hiring members of minority groups.
- Marked relaxation of retirement qualifications.
- Changes in the elaborate griev-



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ance procedure that would make life more difficult for management.

- Local ratification of anything that develops out of McDonald's human relations committee campaign with the industry.

- USW control of any work done in steel plants by outside contractors.

So not only McDonald and his international union hierarchy will be sweating hard if OMR sells its "save those jobs" pitch successfully to rank-and-file steelworkers. Management will be, too.

- Steel Position—All the time that OMR will be campaigning, steel employment is going to be at its lowest ebb, even though it'll pick up some late this year. Steel, which is spending heavily on cost-cutting plant and equipment, can't escape this paradox: It really will be in trouble on cost-cutting if OMR should win an international office—or even make significant gains in local and district offices. But just about the most dangerous thing it could do would be to help McDonald win.

Steel people make no bones of the fact that while McDonald is a frighteningly expensive union leader to live with, he's to be preferred to a new unknown militant who would be committed to fight the industry on automation.

- Insurgents' Problems—While steelmen and McDonald face problems, OMR is not without perils of its own. Its organizing convention avoided significant factionalism, but the possibilities of it were plain to see. On four separate issues—three of them involving personalities—the organizing meeting went into protracted debate that could be resolved only through counted votes.

The deference which OMR leaders paid to each other was so meticulous that there was nothing close to an open fight on the floor. But it was plain that OMR does not now have a cohesive, national leadership team. Rather, it has four capable individuals at its head, no one of whom has any visible alliance with the other.

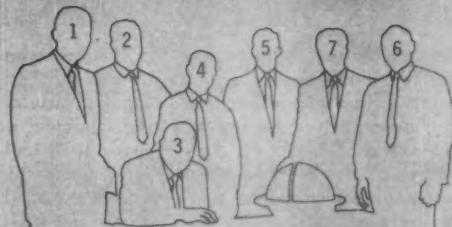
OMR Vice-Chmn. Anthony Tomko and Chmn. Rarick often opposed each other, but each always had a calculating eye on Secy. Nicholas Mamula, who beat Rarick for the chairmanship of the organizing convention. Treas. Frank O'Brien is a fourth strong leader. All are presidents of big, important USW locals in the Pittsburgh area. Each is a distinct threat to the USW administration were he to run for director of one of the critical districts involved.

III. Was Kaiser Wiser?

Of all the crises McDonald faces this summer, it's likely that the July 1 deadline is the most critical—and potentially most rewarding.

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the Kaiser contract was the long-range study committee it established.

• **Work Starts**—The committee has three representatives each of the public, the company, and the USW. Its charter is almost boundless—to recommend "a long-range plan for equitable sharing between the stockholders, the employees and the public of the fruits of the company's progress." Work began last March (BW-Mar.19'60,p29), and the efforts were aided by the stature of the public members—Dr. George W. Taylor, John Dunlop, and David Cole.

From that charter, it's plain that the committee's area must include such things as pricing, profitability, income payout, and investment policy. For management to invoke labor and public representatives to recommend policy involving such matters is pretty radical, but it's inescapable in the Kaiser agreement. The pact adds this:

"The formula shall give appropriate consideration to safeguarding the employee against increases in the cost of living, to promoting stability of employment, to reasonable sharing of increased productivity, labor cost savings, to providing for necessary expansion and for assuring the company's and the employees' progress."

For the USW, too, it's radical, because:

" . . . the parties by mutual agreement may incorporate an agreed-upon plan in substitution for the wage and cost-of-living provisions . . . which would otherwise become effective on or after July 1, 1960."

In other words, if the committee turns up a formula embodying something—not necessarily money—that McDonald considers peculiarly strategic to his long-range plans, he could take it and turn back the average 8.6¢-wage boost due July 1. That would be a pretty radical choice for a labor leader facing election against known opposition.

• **McDonald's Enthusiasm**—For six months, McDonald has been beating the drum about the possibilities latent in this Kaiser study committee. It's true he hasn't been at all specific about what new areas the July 1 formula might penetrate to yield something so good that a wage boost might be turned back. Even so, McDonald has embraced the long-range, tripartite study concept and tied it to the prospect that never again would there be a strike in an industry which, since 1945, has required a strike every three years—six strikes totaling 290 days.

IV. The Stakes

When McDonald last fall pried Kaiser Steel loose from a monolithic 12 company industry front—after 104 days of strike—it was natural for USW to boast that it had the strike won.

It wasn't won, though. Federal courts upheld the Taft-Hartley injunction McDonald fought so hard. The Kaiser defection did not fragment industry resistance. It took 70 more days, plus the intervention of a political administration McDonald had criticized sharply, to end the strike. Thus, McDonald did not capitalize on the first opportunity he gained from the Kaiser settlement.

• **Time Factor**—That's why McDonald just about has to win big on the July 1 study committee report if he's to salvage very much at all from that early Kaiser settlement. It's true that the study committee is a continuing committee. It's true that while the committee is not obligated to make any further reports during the life of the contract, which ends June 30, 1961, it may and quite possibly will do so.

But after July 1, McDonald will have nothing tangible to trade the company for any spectacular new departure in industrial relations it might agree to on the study committee's recommendation. In return for a big new breakthrough formula accepted by Kaiser before July 1, McDonald can offer to forego about 11.5¢ in direct average employment costs per hour. For a breakthrough formula thereafter, the best he can offer is the hope that there won't ever be any more strikes at Kaiser.

That wouldn't be enough—even if Kaiser accepted it. For what McDonald must do is win big enough at Kaiser so that the rest of the industry ultimately has no choice but to go along with the Kaiser formula. The others refused flatly to do so last January. Unhappy as it is about USW's wildcat strike record, steel isn't about to invite union and public onto its properties to recommend financial policy in return for the hope that no more strikes will take place.

V. He Could Win

Of course, there's another side to this coin. If the Kaiser study committee does accomplish a breakthrough; if Kaiser does get a rebate on the employment cost increase to which it's committed; if Kaiser does get a sensible new labor contract without a strike or slowdown or even a sweat a year hence; if, in short, the Kaiser study committee turns out to be as effective as McDonald has been saying and praying that it will be, then McDonald will indeed have won big, because:

• He'll have accomplished something his rival, Walter Reuther, has been talking about, without accomplishing, for years.

• And he'll have forced the rest of the steel industry into a position where it would be hard to ignore the Kaiser formula.

• **Past Record**—Before you write off the possibility that McDonald just

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might make a major killing out of his Kaiser gambit, ponder steel's postwar bargaining history a little. For example:

• Steel took a six-week strike against noncontributory pensions, but they've been routine for a decade.

• Steel fought bitterly, time and again, against the closed shop; as a practical matter, it's had one for eight years.

• Steelmen wouldn't even discuss Philip Murray's guaranteed annual wage for almost 15 years after Murray first raised the issue, but they're accruing a nickel an hour right now—and have been for three years—to meet their liability for supplementary unemployment benefits, which is the form the guaranteed annual wage ultimately took.

• It was as commonplace as far back as 1936 that steel never could pay a Sunday-work premium—the industry's processes being what they are. But Sunday premiums were written into the contract in 1956, and they've grown steadily since then.

Thus, it takes a brave man to say that McDonald can't be a winner July 1.

AFL-CIO Shaken, Still Intact

Labor's merger at the top is under serious fire. Things just haven't worked out as leaders had hoped. But executives decided last week to give it another try.

Some top AFL-CIO officials are now openly questioning whether the merger of AFL and CIO shouldn't be dissolved. After almost five years, the organization's problems are just as great as ever. Solutions aren't anywhere in sight.

Despite Pres. George Meany's dogged determination, the federation has not flourished as its founders anticipated in December, 1955. Instead of the mass organizing gains anticipated, it is barely holding its own in members.

Its craft and industrial affiliates are arguing as heatedly as ever over jurisdiction and raiding. Corruption within unions is still plaguing the federation.

• **Council Meets**—Last week, the AFL-CIO executive council sought to put the merger critics off again. Some of its most influential members, although they have also questioned the reasons for staying together, decided to have another go at working out the problems.

What the council did, in a nutshell, was insure that the AFL-CIO will celebrate its fifth anniversary in December.

The merger, tenuous as its beginnings have been—John L. Lewis described it as a “rope of sand”—will mark its first big milestone then.

I. What Happened

When council members assembled around the oval conference table at AFL-CIO headquarters last week, they faced plenty of potential trouble. The same issues had erupted into council warfare in past sessions—and in some cases they were hotter than before:

Jurisdiction. Craft and industrial unions had come no nearer to ending their fights over job territory; in fact, they had called a halt to peace pacts that had begun to show up between AFL-CIO affiliates. Their leaders decided to try again by turning over the problem to a committee of the council.

Organizing. Affiliated unions have been able to veto organizing drives of rival AFL-CIO unions, as in the chemical and textile industries. Pressure is

being put on them to end such vetoes.

Corruption. Carpenters' Pres. Maurice Hutcheson had been called on the carpet at past council sessions to explain his part in an Indiana land-buying scandal. Nothing was done because the council decided the union was in no way involved. Since the last council meeting, Hutcheson has been convicted of contempt of Congress for refusing to testify on the matter. Although this changed the situation somewhat, Walter Reuther and other ex-CIO leaders who had challenged Hutcheson before decided to let the latest development go by without comment.

None of these matters was solved by the council. But where they have raised storms in the past, they were put aside or gingerly handled last week.

• **Internal Criticism**—While the council members remained silent, some critics within the AFL-CIO spoke out. At a Chicago convention of the United Furniture Workers, Morris Pizer, president of the 40,000 member union, made some barbed comments about AFL-CIO policies (page 113).

Emil Mazey, United Auto Workers secretary-treasurer, also has had critical words for the merger. UAW, he said, “is very unhappy about the way the merger of the AFL and CIO has worked out, where inter-union jurisdictional disputes are concerned.”

“We have more problems now than before the merger,” he added. “We’re all in the organization but we’re far from being united.”

If Reuther agreed with the No. 2 officer of the UAW, he didn’t show it at the council sessions.

II. Why It Happened

Some economic facts of life for the big industrial unions, talked about at the council session, explained in part their reluctance to start new trouble. In the council meetings, Meany brought in a report giving details of what everybody around the table was well aware

of: that the industrial unions are in trouble, compared with their AFL-CIO rivals, the craft unions.

According to Meany’s figuring, since the merger in December, 1955, industrial unions have lost some 800,000 members. In the same period, the craft unions, along with retailing and service unions, have gained 1.7-million.

• **White-Collar Problem**—The council voted for a new try at solving one problem of the industrial unions. It named a committee, with Meany as chairman, to find a way to attract the white-collar and technical workers who are growing in importance in the work force as production workers decline.

The advantage to the industrial unions of a broad federation program, with Meany guiding it, was obviously worth new efforts to stick things out.

The gains union officials hope to achieve by holding together include enhanced AFL-CIO influence in public and political affairs. Labor’s desire for a single, strong voice, more than anything else, has kept the merger going through its stormiest periods. Last week, once again, the firm labor voice was of considerable value for unions.

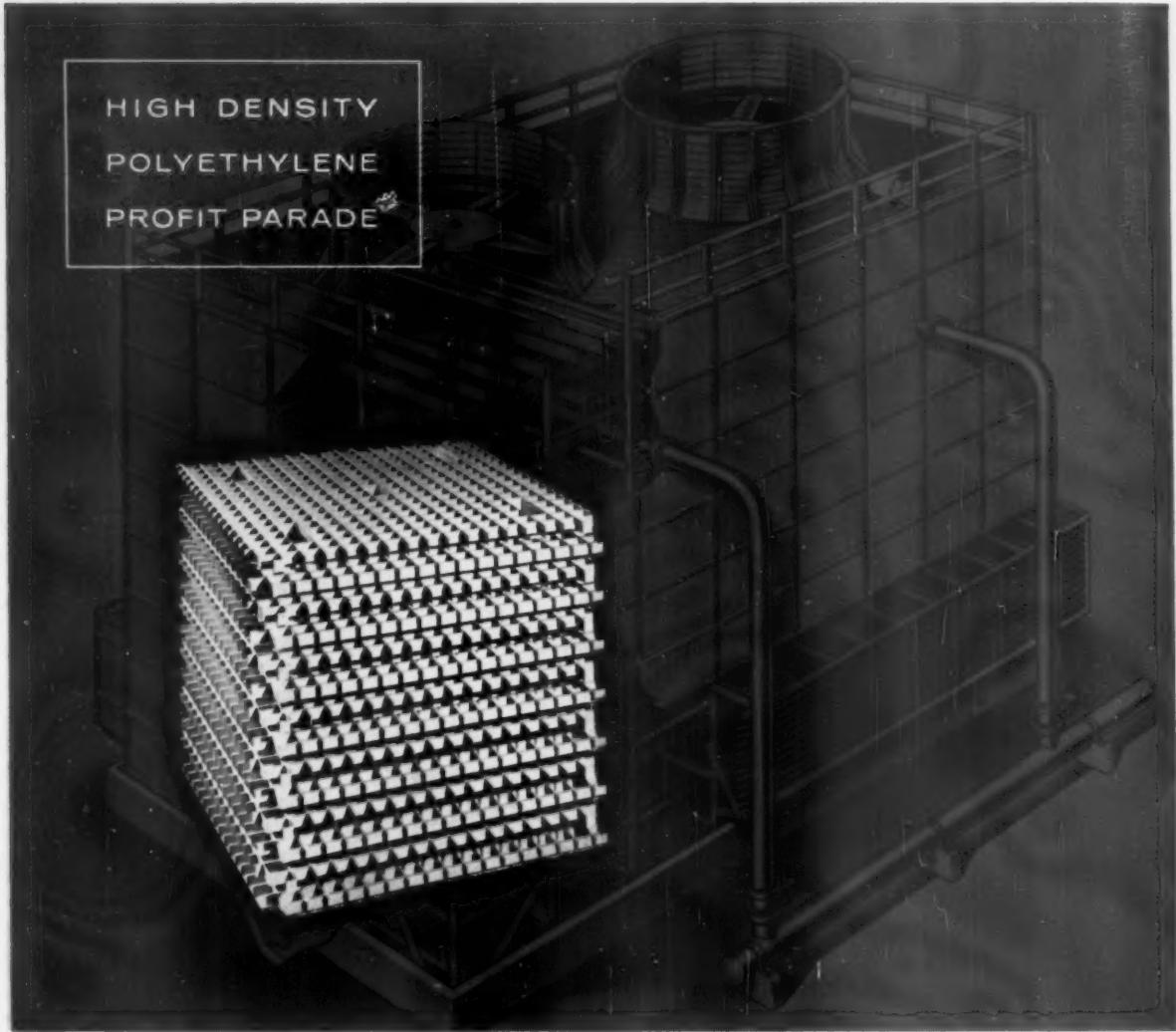
• **Meany Influence**—Meany, as spokesman for the AFL-CIO council, demonstrated his influence in both domestic and foreign policy matters.

During the course of the council sessions, he negotiated with top-level officials of the State Dept. over the picketing of a United Arab Republic ship, the Cleopatra, docked in New York. The picketing, by the Seafarers’ International Union in protest against an Arab boycott of ships that served ports in Israel, had caused international concern (BW—May’60, p32).

When the council voted to back up the Seafarers’ picketing in the face of State Dept. appeals to call it off, Meany then won a negotiated settlement. State Dept. officials pledged to try to solve the Arab boycott and then Meany prevailed on SIU to withdraw its pickets.

On legislative matters, the council’s voice was prominent in the controversy over the Forand Bill and the Administration’s substitute plan for providing medical insurance to the aged. AFL-CIO pressure has helped make this a top domestic issue in Congress. **END**

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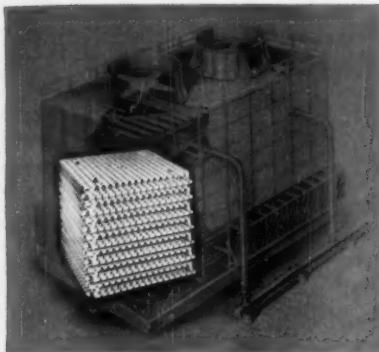
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New Head for Building Workers

David Sullivan, of New York Local 32-B, fills McFetridge's shoes as president of union.

"A modern building is pretty much like a ship—the people on board are unaware of its guts."

With these words, Willard L. Doyle, executive secretary of New York's Realty Advisory Board on Labor Relations, begins his description of what it is like to negotiate with the union representing a little-known work force—the janitors, porters, handymen, and elevator operators servicing some 5,800 Manhattan-Queens apartment, office, and loft buildings.

When you realize how little it takes to put a building out of commission, Doyle points out, then you can understand the importance of the Realty Board's periodic go-around with Local 32-B of the Building Service Employees' International Union. BSEIU's power, notes Doyle, is a sleeper that "could put a city like New York out of business."

• **Sullivan's Role**—Doyle, however, is quick to add that it hasn't—and it isn't likely to. The credit for this in New York, building employers say, belongs in part to the pear-shaped, balding, 5-ft. 6-in. president of Local 32-B, David Sullivan (picture).

The 54-year-old Irish-born trade unionist was elected last week without opposition to the presidency of the 275,000-member BSEIU. He replaces William L. McFetridge, who retired this year after heading the union 20 years (BW-Apr. 9 '60, p71). McFetridge will continue as an AFL-CIO vice-president and as head of the Chicago Flat Janitors Union. McFetridge was also retained by BSEIU as consultant for life and voted a car, chauffeur, office and secretary, and \$15,000 a year for travel and expenses.

• **Union Background**—Sullivan brings to his new \$35,000-a-year post a reputation built in the rough-and-tumble days of New York unionism. He came from Ireland in 1925 and got his first job as an elevator operator in a mid-Manhattan garment center building. In the mid-1930s, Sullivan became a business agent for the BSEIU. He became secretary-treasurer of Local 32-B in 1938 and president in 1941.

In the early days of the union—BSEIU was founded in 1921—racketeers managed to muscle their way into control. George Scalise, later sentenced to prison for theft of union funds, was president of the international until 1941.

In 1945, BSEIU's "reform" president, McFetridge, ousted Sullivan as president of Local 32-B and as a



NEW PRESIDENT of BSEIU, David Sullivan, joined the union in its infant days.

BSEIU vice-president for a violation of union rules and backed anti-Sullivan forces within Local 32-B. At the time, it was charged that Sullivan was a protege of Scalise.

Sullivan, however, soon resumed his union posts. And since then Local 32-B has gained a reputation as a model of local unionism. The local under Sullivan has grown to a claimed membership of 37,000. It boasts a modern medical center and a rest home for convalescing members, and has won a wide variety of welfare benefits for its members. An elevator operator now earns \$80.92 a week and takes his own birthday off with pay as one of 11 paid holidays.

• **"Responsible Leader"**—Doyle, who sits across the bargaining table from Sullivan to represent 2,600 employers, calls Sullivan "a responsible leader."

"Make no mistake about it," Doyle adds, "Dave is tough; he drives a hard bargain and gets the best he can for his members. But he lives up to the agreement once it is negotiated, which is important from management's point of view."

McFetridge says pointedly: "I would not step down if I were not sure the union would be in honest hands."

Sullivan goes to Chicago this week. He plans to drop his Local 32-B position. Meanwhile, he will maintain two offices.

Sullivan's new job calls for running a union with 410 affiliated locals with members who work in jobs as varied as building handymen, elevator operators, ball park vendors, cemetery workers, embalmers and undertakers, and exterminators and fumigators.

"It's only slightly more complicated than running 32-B," says Sullivan. **END**



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In Labor

Operating Engineers' Strike Settlement Follows Pattern Set by Building Trades

A strike by the Operating Engineers against the Associated General Contractors of St. Louis ended after three days with a further firming of a three-year, 55¢ contract pattern for the building trades in the area. Settlements negotiated earlier by the Carpenters and Laborers were at that figure.

Craftsmen will get a 15¢-an-hour raise the first year.

Contractors estimate the raises will cost \$15-million on AGC projects alone over the contract period. They also say the wage increases will add about \$1,000 to the cost of a \$15,000 home over the next three years if, as expected, the pattern is extended to other building trades unions in bargaining later this year.

Similar terms—55¢ spread over three years—have appeared in a number of other contracts negotiated in the building trades this year. A recent government report noted that one of every three construction wage agreements signed this year has been for 15¢ an hour or more, about the same number for 10¢ to 15¢ an hour.

First-Quarter Work Stoppages Mildest Of Any in Postwar Years Except 1958

Work stoppages were less of a national problem in the first quarter of this year than in the same months in any other postwar year except 1958. However, the number of stoppages turned up toward the end of the quarter—with the advent of the 1960 spring bargaining season.

Government figures, just out, report 720 strikes started in the first three months of this year; they involved 220,000 workers, caused 3.75-million man-days of idleness. In the same period of 1959, 728 new strikes involving 253,000 workers led to a loss of 4.43-million man-days of work.

A March report showed 270 new stoppages by 85,000 workers.

Furniture Workers Pull Out Of AFL-CIO No-Raiding Pact

The United Furniture Workers decided last week not to renew its signature on a no-raiding pact in AFL-CIO. UFW, one of the first unions to accept the plan after the merger of AFL and CIO in 1955, now says it is "completely dissatisfied" with the way the agreement is working.

Under the no-raiding pact, federation affiliates pledge that they will not challenge bargaining rights at plants where other AFL-CIO unions already represent employees. Generally, the agreement has worked fairly well.

However, it has not completely cleared up inter-union conflict.

The traditional rivalry between industrial unions and crafts within AFL-CIO has been responsible in large measure for this continuing conflict; the no-raiding pact hasn't been effective in coping with it.

But there is discontent over the pact in other quarters, too. The UFW—involved in clashes with the Upholsterers International Union—is particularly critical. It charges that the no-raiding agreement is "one of the evils of the labor movement" and can lead to "back door deals" with employers.

The Furniture Workers' current criticism is based on a dispute with UIU over a Simmons Co. plant. Simmons closed a plant in Kenosha, Wis., where the UFW had a contract. It opened a new plant in Munster, Ind., and signed a UIU contract.

Furniture Workers' officers protested that efforts to "follow our [Kenosha] contract to Munster" were barred as a "raid" by AFL-CIO. This argument was successful in winning union agreement to withdraw from the federation pact.

• • •

State, Municipal Employees Union Seeks Money From Reluctant Locals

Arnold S. Zander, president of the State, County & Municipal Employees, failed to get a dues increase from delegates at the union's convention two weeks ago. This week, however, he predicted that over half of SCME's locals would come through with a "voluntary" increase of 15¢ in per capita tax over the 65¢ due under constitutional provisions.

Before the convention, Zander complained that SCME is "a 10% to 15% union" with only 200,000 members out of a million and a half in its jurisdiction. The union added 6,000 to its rolls in 1959—only a small part of what it could have if more manpower and money had been available, Zander said.

Locals are affluent enough to worry about stock investments while the international treasury is in trouble, Zander complained. Without additional income, he said, the union may have to cut back further on services and organizing.

• • •

Retirement Fund Keyed to Sales In Brick and Clay Contract

Chicago brick manufacturers and six locals of the AFL-CIO Brick & Clay Workers agreed last week on a retirement fund for brick workers based on the number of bricks their employers sell. Each company will put 20¢ into the pension fund for every 1,000 bricks sold. Industry sources estimate that 250-million to 300-million bricks are sold in the Chicago area a year.

The union skipped a pay raise this year under the new two year contract, but a 6¢ hourly pay hike will go into effect May 1, 1961. Brick workers pay scale ranges from \$2.12 to \$3.80 an hour.



VARIETY OF SYSTEMS all aim at greater interchangeability of cargo among truck (left), rail, and ship (above, right). Below: Flexi-Van

Container Shipping Is Cheaper

That's the claim of enthusiasts, who point to fast rise of piggyback rail service, a form of container shipping. Now what's needed is standardization of equipment.

The time on trial and error in prepackaging freight shipments is nearly over. Containerization may be on the brink of becoming standardized in equipment and technique so that its proven advantages can start paying off in shipping economies.

Right now, container freight is growing fast, but it's still a young idea. It relies on a hodgepodge of equipment, some of it frankly experimental but some of it well entrenched and alarmingly incompatible with other systems. Railroaders, truckers, and ship operators see it as a way to break transportation out of the old stereotypes, to bring new efficiency to the business of moving freight—if they can agree on methods and will start working together.

• **New Concept**—What containerization promises is that cargo can move from one point to another by the shortest and most economical route without involving large amounts of time and money for unloading and reloading in shifting from train to ship to truck.

Older ideas of freight hauling impose their own limitations on the shipper: loading, routing, time in transit, protection against damage. Traffic managers in industry have had to view their responsibility as so many boxcars wending their circuitous way to a customer's siding or as so many trucks bucking traffic congestion to reach distribution terminal. Before piggyback put truck trailers aboard railroad cars and before ships began carrying trailers as regular

cargo, it was impractical to send cargo partway by truck and the rest of the way by rail or water. The cost of rehandling the shipment would have eaten up any savings.

With prepackaging of freight in van-sized containers, shippers can think in terms of units that can be carried by any intermix of railroad, ship, and truck that can do the job fastest and cheapest. The traffic manager deals with maneuverable packages of cargo rather than with boxcars, truck trailers, or ships' holds.

• **Time and Handling**—According to Morris Forgash, whose U.S. Freight Co. is one of the biggest freight forwarders, an all-container freight train between Chicago and Los Angeles would make possible 50-hour delivery. And containerizing would virtually eliminate the 12 to 14 times that cargo moving overseas must be handled. It would also save much of the packing cost, says Forgash.

Piggyback, in which truck trailers are treated as containers, already cuts down rehandling for the Railway Express Agency on the New York-Boston run. Until this method was adopted in 1958, Railway Express packages that came in at three New York terminals had to be trucked to still another terminal for loading into Boston-bound rail cars. Now they are put directly into truck trailers that are driven from the three terminals to the New Haven RR freight yards and onto piggyback cars. Packages

don't have to be touched from the receiving terminal to the delivery point.

• **Piggyback Growth**—So far, there's no doubt that piggyback is the fastest-growing form of container freight. In the last two years, the number of railroads offering this service has jumped from 39 to 51; carloadings of piggyback trailers last year rose 50% over 1958.

Even so, piggyback has room for more growth. It still accounts for only about 2% of all railroad freight. And there is a vocal minority that says it won't go much further—that it's only a makeshift intermediate stage in containerization and, as one transportation expert puts it, is "already headed for the Smithsonian."

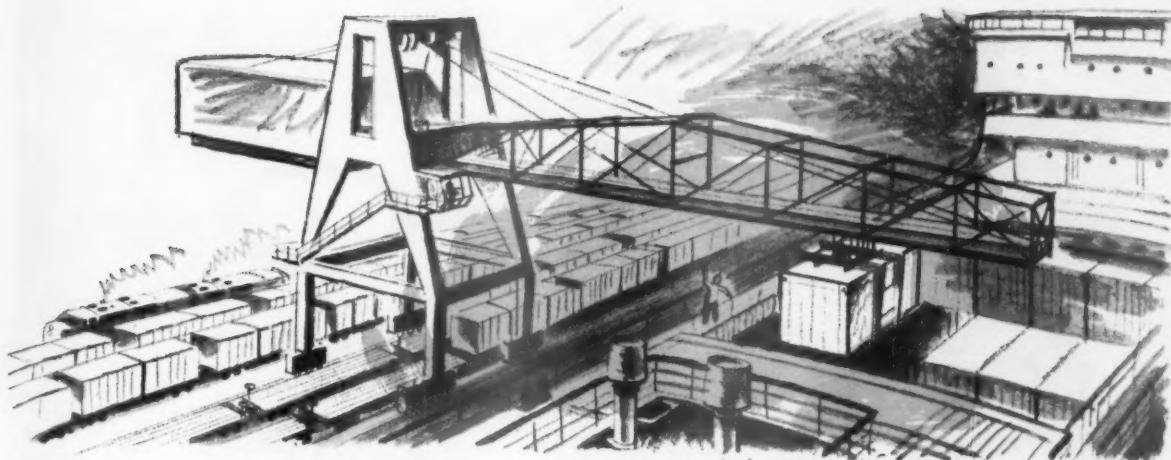
Piggyback integrates rail and truck services, but the greater flexibility of true container freight will win out, these critics say. Roy C. Milbourne of the New York Central RR predicts that in five years, half the freight that now moves in boxcars will be in containers instead.

• **Flexi-Van**—The New York Central is running fast freights between New York and Chicago that mark a step closer to container freight from piggyback. These trains, which nearly match the schedules of the road's crack passenger trains, make the 960-mi. run in less than 24 hours, carrying 35-ft. and 40-ft. Flexi-Van containers on specially-designed flatcars.

Unlike piggyback trailers, which ride on their own wheels on the flatcars, the Flexi-Van containers have wheels only when they're rolling on the highway as truck trailers. When one is loaded on the train, it is backed on a turntable built into the railroad car,



exi-Van



and (bottom) containers for household moving.

er and Faster

leaving its highway wheels behind to be pulled away by the truck tractor (BW-Nov.8'58,p54). It takes only one man then to pivot the turntable lengthwise of the flatcar again and to lock it in place.

The speed of loading or unloading an entire trainload of Flexi-Van freight is limited only by the availability of truck tractors to handle the vans.

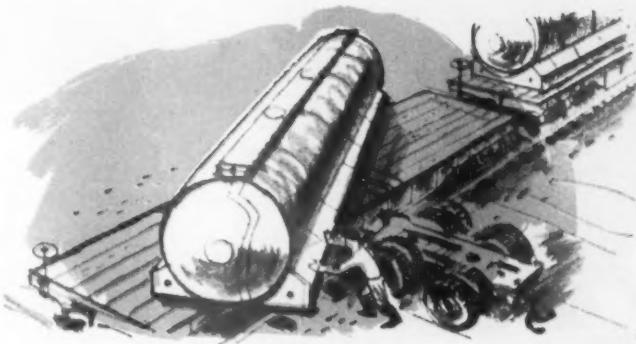
In the next few months, the Central plans to provide similar service between other major cities. Half a dozen other roads, including the Santa Fe and the Chicago, Milwaukee, St. Paul, use Flexi-Van equipment.

• **MoPac's System**—Flexi-Van's nearest competitor is the Missouri Pacific's system for using straddle cranes to lift container vans from their wheels to flatcars and back again. MoPac has 18 track-mounted gantry cranes, costing \$42,000 each, and a rubber-tired mobile Travelift crane, costing \$25,000. The line says handling containers this way costs only one-quarter as much as transferring truck trailers.

The Baltimore & Ohio RR has recently adopted the MoPac system.

• **Container Ships**—After overcoming early troubles and much skepticism in maritime circles, container ships are now rapidly gaining a place in the industry.

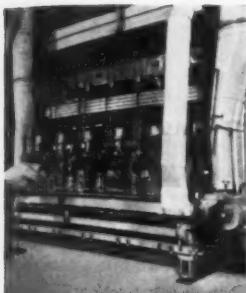
Sea-Land Service, Inc., formerly Pan Atlantic Steamship (BW-Nov.9'57, p105), is operating six container ships among East Coast, Gulf Coast, and Puerto Rican ports. These ships have traveling gantry cranes fore and aft to lift 35-ft. containers from their wheel assemblies and stow them in the holds. Each lift-on, lift-off ship can carry 226 trailer-size containers. Such a ship can



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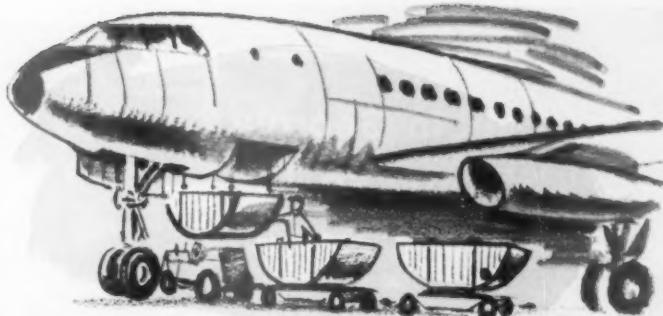
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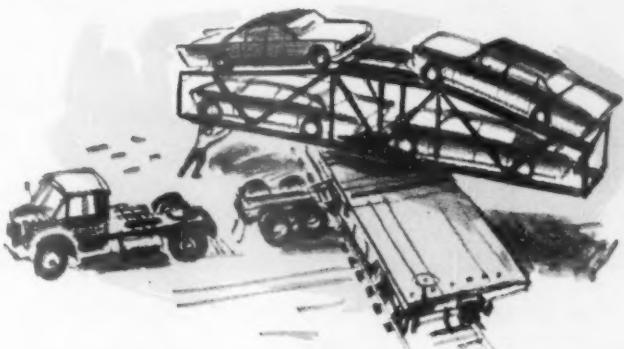
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BAGGAGE is already being carried in jets in containers shaped to fit the fuselage.



AUTO HAULERS are made to ride on rail flatcars, using the Flexi-Van system.

be loaded in one-eighth the time of a conventional ship, the line says.

Grace Line has two similar ships that it wants to operate in the South American trade if it can overcome the objections of foreign dock unions. Matson Navigation Co. already carries containers on some ships on its Hawaii run and is converting two others to carry a deck-load of 24-ft. containers in addition to bulk sugar in the holds.

- **Moving Vans**—Carriers of household goods are also pushing the use of containers, especially when families are moving long distance. Van-Pak, Inc., of Des Moines has developed an 8-ft. by 8-ft. by 7-ft. container for rail, truck, or ship. It uses these containers (it expects to have more than 15,000 by yearend) for its own hauling of household goods and also leases them to other common carriers for other uses.

Clothing manufacturers, for example, like this kind of container for the safe shipment of garments, and an airline is reported interested in using similar containers for air freight between the U.S. and Germany.

National Van Lines of Chicago is also experimenting with containers that nestle on a special flatbed truck trailer, six to the trailer.

- **Private Users**—Industries, too, are extending their use of containers. Even automobiles are being shipped by the batch, through the piggybacking of car transporters.

E. I. du Pont de Nemours & Co.

ships 2,500 tons a year of paints and photographic supplies from New Jersey plants to the Chicago area by way of the New York Central's Flexi-Van service. It also ships antiknock compounds to Puerto Rico in special tank units that go by truck and water in Sealand's service. George A. Hormel & Co. sends fresh meat from its Austin (Minn.) packinghouse to customers in the Twin Cities by aluminum refrigerator containers; each over-the-road rig hauls three containers, and these are conveniently split up among local delivery trucks in the cities.

One reason for the favoring of containers in both private hauling and common carrier service: freedom from pilferage. According to marine underwriters, more than \$3-million worth of cargo is lost each year through pilferage in the Port of New York alone.

- **Trucking Industry**—So far, common carrier truckers have played their part in container business chiefly as feeders of the prepackaged cargo to the railroads and ship lines. However, some truckers also see advantages for containers in everyday business.

Spector Freight System, Inc., of Chicago has spent \$300,000 in developing containers in the last four years. It thinks half its equipment will be containerized in five years. It's testing a 20-ft. container right now that can be mounted two to a chassis. Fruehauf Trailer Co. made the units.

Spector sees advantages in long-haul

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trucking if the driver can drop off half of his load and replace it with another container within five minutes, or can divide his load up between two delivery trucks at the end of his run. With a single 40-ft trailer, it takes time to unload all or part of the contents.

In air transport, passengers' baggage is being handled on most of the jets in containers that are contoured to slide into the fuselage (BW-Apr. 9 '60, p122). But the air cargo industry is still looking for a standardized container method which, many authorities believe, is vital if air cargo is to reach its full potential.

- **Need for Standard**—Lack of standardization is the biggest holdback to container freight right now. Too many companies are designing containers and handling systems to suit their own needs, without considering adaptability for others. Thus, there are already half a dozen sizes of lift-on containers, ranging from Grace's 17-footers to Sea-Land's 35-footers.

Groups such as the American Standards Assn. and the National Defense Transportation Assn. are trying to bring order out of confusion. No final recommendations have been made, but there's a body of opinion in favor of a family of 10-ft., 20-ft., and 40-ft. containers.

Most states allow a trailer unit only as long as 40 ft., so this pretty much determines the maximum size. Experts generally agree that the smaller units must be in convenient fractions of that maximum length.

Forgash of U.S. Freight feels that the double-20, two 20-ft. units to the trailer, offers the most promise. Fruehauf and its subsidiary, Strick, are developing these units. Strick is designing its 20-footers to fit the Flexi-Van system, whose equipment it also makes. Highway Trailer Co., another leading van builder, is developing units that will allow a trucker to make up a 40-foot load from two 20-footers or two 10-footers and a 20-footer.

Methods of loading and unloading containers in railroad yards must also be standardized, most experts say, before all major railroads and truckers will be sold on the system. Some carriers favor using giant fork-lifts, but others say the \$25,000-\$30,000 price tag is too high. Then there are the Flexi-Van and MoPac systems, as well as various ways of piggybacking.

- **Must Agree**—The brightest promise of container freight is based on coordinating all kinds of shipping service, leaving to each mode of transport the part of the job that it is best able to do.

This kind of cooperation is not going to come easily to an industry that has been characterized more by its tendency toward cut-throat competition than by its amicability. **END**

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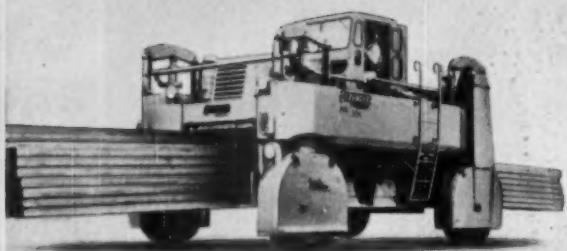
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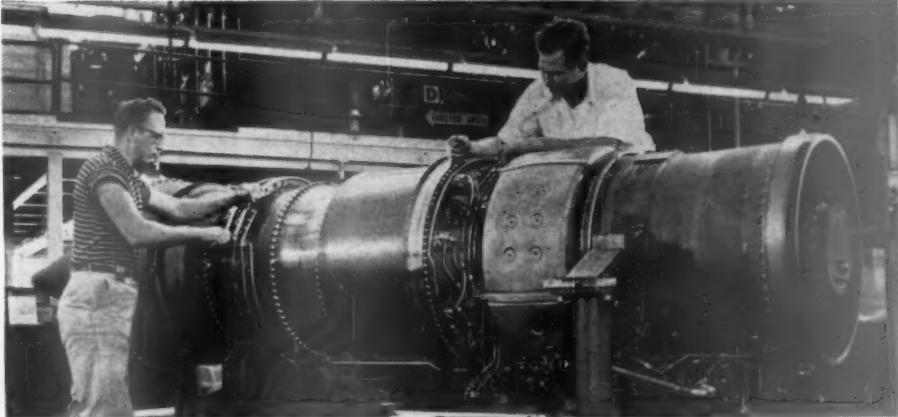
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NEW JET ENGINE, Pratt & Whitney's lightweight J52, is installed for first time in a plane rather than a missile.

Smaller, Slower, Better Plane

In an age when missiles have all but displaced planes from the military shopping list, the Navy is steamed up about this latest attack bomber—the A2F-1 Intruder, built by Grumman Aircraft Engineering Corp.

The Intruder isn't big. In fact, it's a midget, weighing only 24,000 lb. empty and more than doubling to 54,000 lb. loaded.

It isn't fast, by modern standards. At sea level, its speed of between 600 and 700 mph. (the Navy won't say which is closer) is substantially under the speed of sound, about 750 mph.

It can fly high, but that's not where it is counted upon to do its unique military job.

It looks rather conventional on the outside, but its interior is packed with

equipment, some of which has never been installed in any other plane.

The Intruder's mission: to fly into enemy territory at minimum altitude and, in any kind of weather, to deliver a nuclear blow.

• **Special Features**—Thus, the Intruder's low-level flying ability and small size are assets. It can't be detected by long-range radar as long as it stays low enough, and even when it's flying high, its small size makes it a difficult target for any radar device to pick up. With its speed, small size, and low flight, it would evade even short-range radar detection unless it happened to fly directly over an antenna.

The plane is powered by two lightweight Pratt & Whitney J52 jet engines, each of 8,500-lb. thrust. An

unusual feature is its adjustable tailpipes, which add to its lift and make it possible for the plane to take off in as short a run as 1,500 ft. These tailpipes can be tilted down about 30% from the horizontal, so that they can push the plane upward as well as forward. They also allow the plane to fly at speeds as low as 85 knots.

The navigation and control system is full of innovations. An integrated radar system gives the pilot a detailed picture of the air ahead and the ground below (BW—Nov. 2 '57, p172) in all conditions of darkness and weather. It does all the pilot's navigational figuring for him. A new attack control system called DIANE allows him to pre-select a course on his integrated display panels. The electronic system then takes

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BW 5-14

* From California June 4th.

over and carries out the mission. All the pilot has to do is sit and worry.

• **First Delivery**—Last week, Grumman turned the first of eight planes over to the Navy. It hopes to get a larger production order. Grumman estimates the cost at \$1-million to \$1.4-million per plane, depending on volume.

In his acceptance speech, Vice-Adm.

Robert B. Pirie, Deputy Chief of Naval Operations, commented: "With the continued development of anti-aircraft missiles, it may be true that in a few years, the only successful approach to an enemy target is one that avoids early radar detection." A hunter in the audience remarked that "in that case, they should call it the Partridge."

Urge Tougher Patent Rules

Senate committee staffers say it isn't enough to force a company to license competitors in an antitrust case. They say not enough companies take advantage of such opportunity.

Patent law grants inventors a 17-year monopoly on the fruit of their ideas. Antitrust laws forbid monopoly. The clash between these two concepts of law has led often in recent years to a rationalization by the courts that the patent law was intended to protect the inventor's right to a fair return on his investment of time and effort but was not to be used as a device to control a major portion or all of an industry.

The Justice Dept., which polices the antitrust laws, has often been content to settle suits by forcing companies to license others to use their patents.

Now, however, a study by the staff of the Senate Patents Subcommittee suggests that compulsory licensing is a weak remedy in antitrust cases.

• **Not Used Much**—The committee staff followed up on 107 antitrust cases that were settled between 1941 and 1956. First under Chief Counsel Marcus Hollabaugh and later under his successor, Robert L. Wright, the committee found that compulsory licensing was involved in 81 of the 107 cases.

Of the 81 cases, 31 never resulted in the issuance of any patent license. In many cases the patent-holding company didn't receive a single inquiry from a prospective licensee. And in the bulk of cases, few licenses were issued, and not many of these proved to be of significant help to the competition.

• **The Rare Cases**—The survey did not include cases since 1956, since not enough time has elapsed to justify conclusions. The handful of cases in which significant competitive effects were noted includes these:

• A 1952 judgment that led to du Pont's issuing 264 licenses and Imperial Chemical Industries' issuing 11, nine of them in polyethylenes. Patents ran through a range of adhesives, finishes, nylon, inorganic chemicals, textile fibers, synthetic resins, and plastics. "The judgment appears to have made it possible for a substantial number of companies to enter this field," says the staff report.

• Merck & Co.'s 1954 withdrawal

from a cartel with a German company and issuance of royalty-free licenses to 10 companies. Most said the licenses made little difference; one small company said it was a great gain.

• A consent decree in 1949 that spread Phillips Screw Co.'s licenses for screws and screwdrivers more widely. Before the decree, Phillips had licensed 39 companies; after the decree, 154. One company said it had invested \$125,000 in new machinery as a result.

• A 1943 settlement in which Eastman, Technicolor, Inc., and Technicolor Motion Picture Corp. had to grant royalty-free licenses on color film-processing. Fifteen companies received licenses, and several described them as "very significant" to business.

• Eastman's separation of film-processing from sale of film in 1954 and granting of some licenses. In three years, 43 licenses were granted.

• Besser Mfg. Co.'s licensing of patents in 1954 for machines to make concrete blocks. One small licensee said this added \$450,000 worth of business annually; another said it can now sell a machine for \$32,000, compared with Besser's price of \$53,000.

• A consent decree in 1954 under which General Cable Corp., General Electric Co., and two other companies yielded patents on high-tension cable and fluid-filled cable. Four licenses were issued, and two companies said they were valuable.

• **Better to Divest?**—The report suggests that divestiture of patent rights might be more significant relief than compulsory licensing or injunctions against misuse of patents. However, it does not discuss the RCA and AT&T decrees in which most electronic and semiconductor patents were thrown open, royalty-free (BW-Mar. 26 '60, p94)—which, for practical purposes, amounts to divestiture.

It does say, where an industry has been dominated by one company, "as in the AT&T case," compulsory licensing should not be considered a substitute for dissolving a monopoly. END

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In Washington

Tallamy Orders Random Inspections To Bar Corruption in Road Program

Federal Highway Administrator Bertram D. Tallamy has ordered sweeping inspection changes for his staff to monitor construction of the nation's big highway program.

The new procedures are the result of the furor stirred up from graft and corruption in federally aided road-building uncovered on a 13.8-mile stretch of roadway in Tulsa, Okla. (BW-May'60,p141).

Last week Tallamy told the special subcommittee investigating the highway program that: (1) Bureau of Public Roads field personnel have been ordered to supervise random testing on the thousands of highway projects under construction; (2) states have been told to tighten their control over the quality, quantity, and workmanship of the roads; (3) Oklahoma has been told it must repay the federal government for all money it obtained "erroneously" on the controversial project involved; (4) all state personnel that admitted to wrongdoing on the project can't be used any more on federal-aid highway work.

Robert Bicks Named Antitrust Chief

Robert A. Bicks was nominated this week to be assistant attorney general in charge of the Justice Dept.'s Antitrust Div. He has been acting chief of trustbusting activities since Victor Hansen resigned a year ago. Bicks, 32, is son of federal District Judge Alexander Bicks for the Southern District of New York. His nomination must be confirmed by the Senate.

Interior Dept. Proposes Changes In Oil Import Restrictions

The Interior Dept. this week took steps to adjust oil import restrictions. Under the current setup, some U.S. petroleum refiners are allowed to operate largely on exempted Canadian crude oil and still qualify for a share of controlled imports from other foreign countries.

Under Secy. of Interior Elmer Bennett proposed a rule change that would deduct from a company's total worldwide import allocation the amount of crude oil received by pipeline from Canada.

Domestic oil producers have been protesting the use of the Canadian exemption by Northern refiners. Oil companies have until May 20 to comment on the proposed rule, which would hit hardest at major refiners operating in the Pacific Northwest and at smaller companies in the upper Midwestern states.

Another proposed rule change would alter the formulas

under which, on the basis of refinery inputs, allocations to import crude oil are given importing companies. The changes reflect an expected 3% drop in oil demand in most of the U.S. during the last six months of 1960, requiring a cut in authorized crude oil imports into the Eastern sector. On the West Coast, the allocation formula has been increased, reflecting a probable slight increase in importation for the July-December period.

ICC Fails to Give Clear-Cut Ruling In Rail-Water Rate Case

The Interstate Commerce Commission refused last week to set up a combined rail-water rate for shipments of pulpboard between Georgia and New York that would be lower than all-rail shipments.

East Coast water carriers had hoped for a clear-cut ruling from the commission because of the bearing the case could have for other commodities transported in competition by water and rail carriers.

But the commission's ruling was clouded by technicalities to the point where rate experts believe it may take a week or more to decide what the effects will be.

The ICC acted in a case involving Seatrain, a water shipper, and a number of north-south railroads that had reduced their all-rail rates sharply for pulpboard shipped from Georgia to New York. The roads, however, had retained their rates for short hauls from points in Georgia to the port of Savannah.

The ICC, in refusing to set up lower combined rates, however, ordered that the roads cut their short-haul rates 30% within Georgia on pulpboard to be transshipped north by water from Savannah. Rate experts say it may take some time to determine whether these lower short haul rates will give Seatrain a competitive advantage again.

FCC Opens Way for FM Broadcasting To Special Groups on Private Channels

Private broadcasts—such as medical news for doctors—can be beamed at business and professional groups under a new ruling by the Federal Communications Commission.

The ruling permits FM radio stations to transmit this sort of program to offices and elsewhere on a subsidiary channel that does not interfere with the station's normal commercial broadcasts. In much the same way, some radio outlets now pipe background music into restaurants (BW-Mar.5'60,p94). The programs could be aimed at doctors, stockbrokers, schools, and other special interest groups.

On the television scene, FCC is sifting comments from interested parties on proposals to make room for more TV stations in cities with only one or two channels. This would be done by shortening the broadcast range of existing stations.

The deadline for filing comments is June 20. If FCC really wants to encourage more stations, it could act before yearend.

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RESEARCH



UNDERGROUND atom test in Nevada in 1957 was easily detected, but now ways to hide tests far outstrip ways to locate them.

Why Atom Blast Detection Lags

Pres. Eisenhower's announcement last weekend that the U.S. will resume underground testing of nuclear devices, suspended since November, 1958, clearly reflects one thing on which scientific thinking agrees today (table, right). That is that it's not possible, in the present state of detection knowhow, for this country or any other to monitor small underground nuclear blasts reliably without on-the-spot inspection.

Since the Rainier blast in Nevada two and a half years ago (picture), the science of concealing small underground nuclear bomb blasts has far outstripped the science of seismographic detection.

How effective a network of detection stations could be set up—provided there was complete cooperation all around—is open to some argument. But the basic fact remains: Science has yet to develop monitoring devices that can be relied on to act as underground watchdogs for the very kind of nuclear bomb testing that may prove to be the next step in weapon development.

What's more, the prospects are not good that it will be able to develop such devices in the very near future.

• **What Went Wrong?**—How did this state of affairs come about? And why did earlier reports indicate that setting up a feasible detection system was simply a matter of international negotiation?

The answer lies partly in the major developments in the art of underground blast concealment since the idea of a ban on all nuclear tests was first broached. But it's also true that scientists, at least in the U.S., were guilty

• **DR. HANS BETHE** Cornell University physicist who helped develop A-bomb:

It would take 200 stations in Russia to detect fully decoupled (disguised) shots of 20 kilotons (Hiroshima-size.)

• **DR. EDWARD TELLER** Lawrence Radiation Laboratory:

With adequate decoupling even a net of 600 stations might fail to pick up anything under 20 kilotons.

• **DR. RICHARD B. ROBERTS** Carnegie Institute biophysicist:

150-station net in Russia would be adequate to detect suspicious earth movements.

• **DR. HAROLD BROWN** Lawrence Radiation Lab, member Geneva conference:

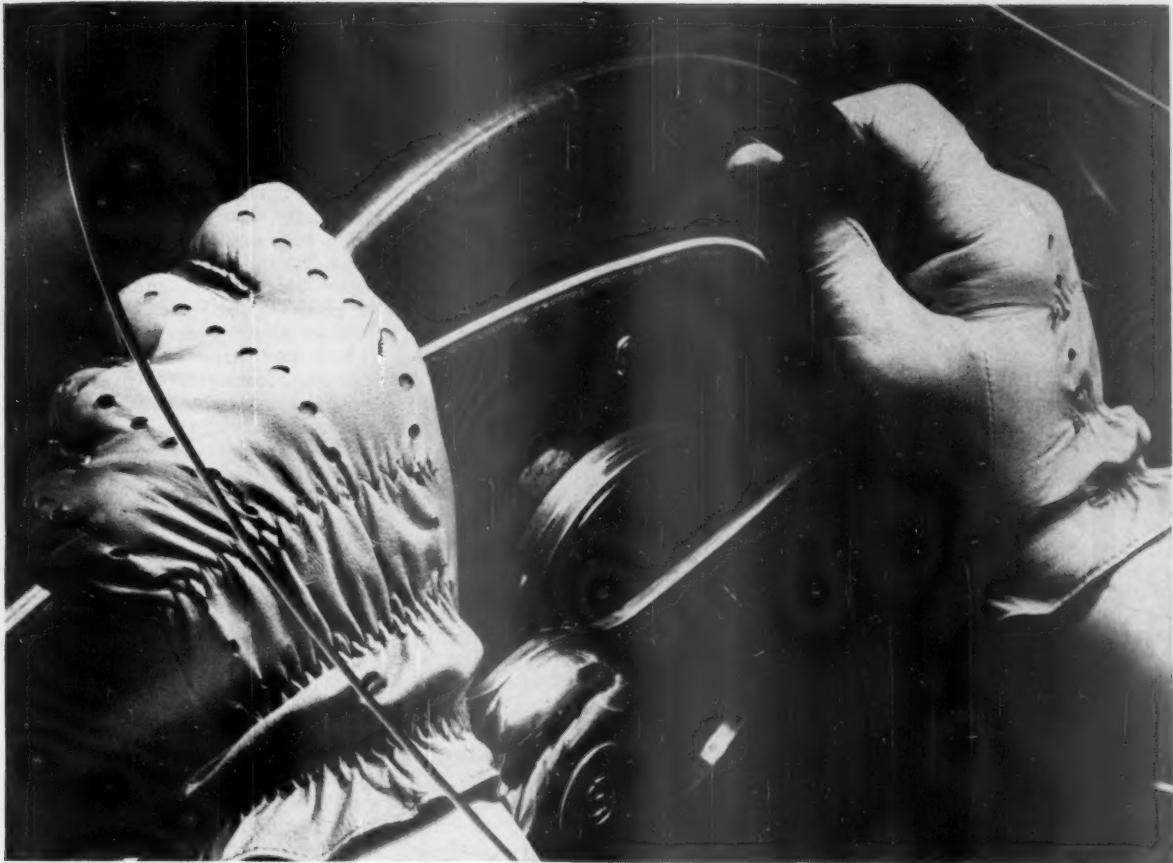
With proper precautions a 1-kiloton explosion can easily go undetected by any system known.

• **REP. CHET HOLIFIELD** Joint Atomic Energy Committee:

All scientists agree there will always be some threshold below which we cannot detect. Nearly all agree small shots are militarily significant.

• **DR. RICHARD LATTER** Rand Corp., member of Geneva conference:

Even a 300-kiloton shot would probably go undetected under the Geneva system (21 stations in Russia.)



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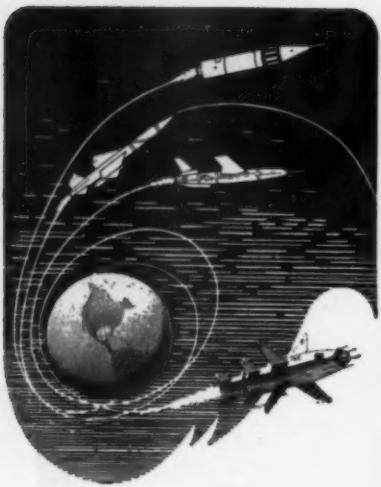


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To check your identification of these famous hands see page 170.

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of some over-optimistic conclusions on the basis of the underground Rainier blast in a Nevada mesa on Sept. 17, 1957.

• **Rainier Results**—The Rainier test, quite simply, aimed to find out if weapons testing could be carried out without a dangerous radiation fallout—something both AEC and health officials were then beginning to worry about.

A self-sealing tunnel was dug horizontally into the mesa's side, 600 ft. below its top. A small bomb (1.7 kilotons) was chosen to see if the radiation could actually be trapped by the force of the explosion.

Results, as scientists subsequently admitted, exceeded all expectations (BW—Oct. 4 '58, p46). Observers heard the muffled explosion, but there was no flash, no typical mushroom cloud—only a cloud of surface dust. Seismographs as far away as Alaska (2,320 miles) picked up the detonation.

When protected scientists entered the tunnel, they found it passable, and free from radiation for the first few hundred feet. Three and a half months after the blast, rocks with a normal temperature of 63°F still showed as much as 190°F. Some 400,000 tons of rock were pulverized.

From the scientific angle, all this was exciting news indeed. And it cheered immensely the proponents of the idea that underground nuclear testing could be stopped, or reserved for peaceful industrial uses.

A network of 180 detection stations around the world—the so-called "Geneva System"—was worked out before political negotiations began in October, 1958. U. S. negotiators went to Geneva ready to negotiate on what they felt was a reasonably cheat-proof guarantee that nuclear research could henceforth be confined to peaceful aims.

• **Miscalculations**—How wrong they were has been a subject of hot scientific discussion for months. To begin with, most researchers now agree that because the Rainier blast was set off in porous tuff (a glassy, volcanic type of rock), its vibrations carried farther than they would in harder, denser rock.

Underground blasts in the fall of 1958—the Hardtack and Cowboy series—showed that it is not hard to muffle seismic reactions by a process known as "decoupling." This involves setting off the blast in a big enough hole in a hard formation (such as salt or granite), so that the air around the bomb, plus the hard rock, can absorb much of the explosive impact.

Decoupling is so effective, a number of leading scientists now calculate, that the seismic reaction of underground blasts can be reduced at least 300 times. Thus a 300-kiloton blast (15 times bigger than the Hiroshima bomb) would have its effect reduced to that of a

1-kiloton shot—a level that scientists now admit would probably escape detection under any feasible system.

• **Cheating**—This means that, if it wished, any nation would continue testing military-size small bombs or weapons without fear of detection—with or without a policed test ban. If it chose to take a chance, and picked its time carefully, it might get away with blasts even bigger than 300 kilotons.

The trick would be to pick a time of heavy earthquake activity. Some 5,000 quakes are recorded annually around the globe—in the Soviet Union 500 of them are as strong as the Rainier shot. Present equipment can't distinguish with any accuracy between earthquake tremors and underground blasts. Inspection teams, suspicious of unusual tremors, would have to make a check.

A treaty-breaking country could make even that tremendously difficult. After one underground Nevada explosion, it took three test bores to find the site of the shot. In mountainous terrain, with only a rough idea where to look, finding a concealed underground shot would be virtually impossible.

Of course, it would take time and money to construct, in hard rock, the hole 450 ft. in diameter that would be needed to conceal (by decoupling) a 100-kiloton shot. This might not escape the notice of inspectors.

But for 10- or 20-kiloton blasts—big enough for developing small bombs or weapons—a much smaller hole would do. One guess is that a hole the size of a normal petroleum storage hole would hide a 20-kiloton explosion.

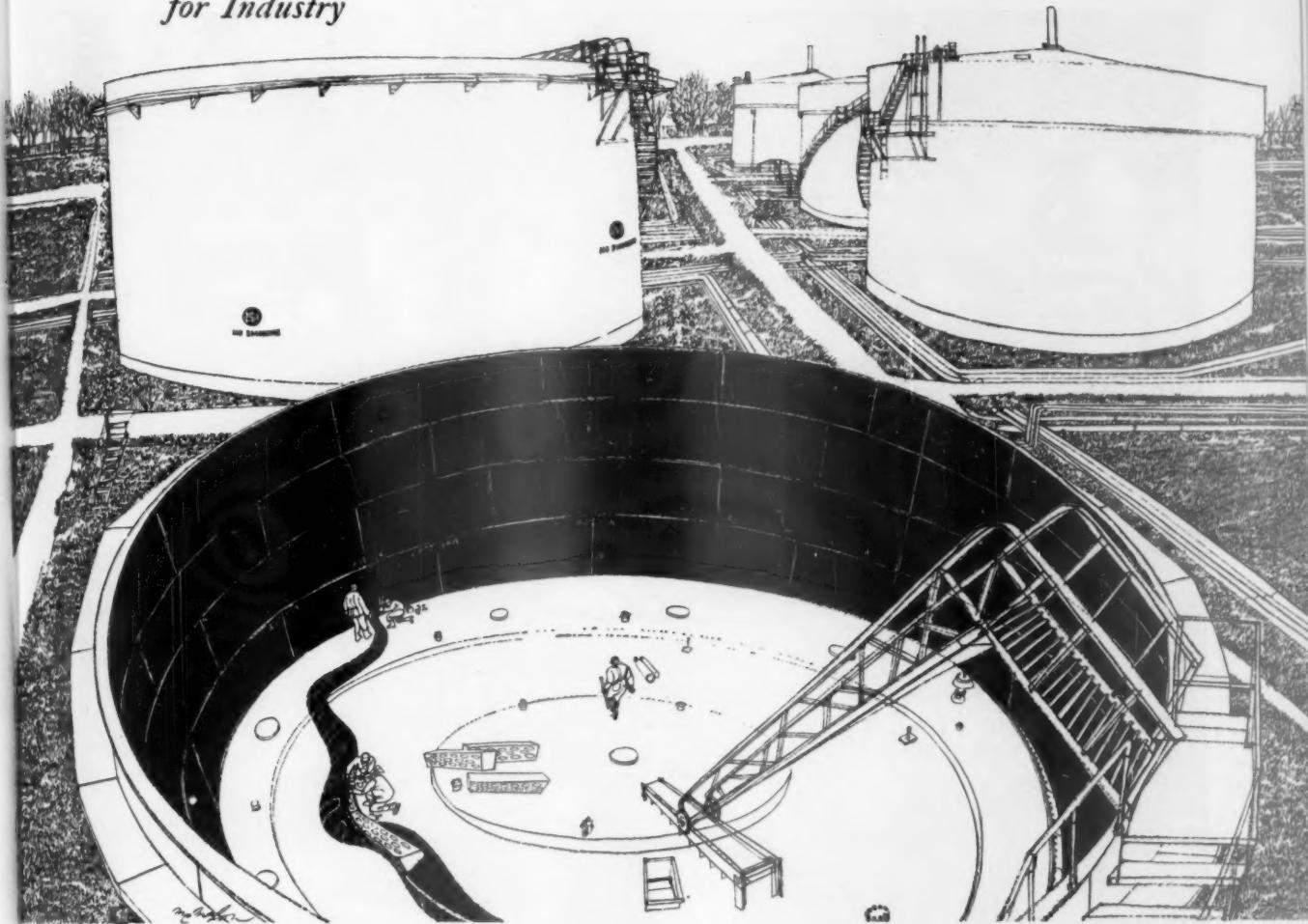
• **Other Ways**—Scientists are convinced this does not exhaust the possibilities for concealing underground nuclear tests. One method so far untried, at least in the U. S., would give the same effect as a 450-ft. hole, Dr. Richard Latter of Rand Corp. believes.

Air could be pumped out of a small hole, Latter theorizes, and the vacuum thus created would take up most of the explosive impact. Or the small hole could be filled with a cushion of carbon particles around the bomb.

• **Range of Opinion**—The almost unanimous agreement among scientists extends to two points: Without on-the-spot inspection, detection of small underground nuclear tests is virtually impossible; and the situation is sure to become worse before it gets better. There are some differences, though, as to whether there's really any point in trying to set up a detection system for bigger blasts. Nuclear physicists tend to be more pessimistic than geologists.

Dr. Edward Teller of the Atomic Energy Commission's Lawrence Radiation Laboratory at Livermore, Calif., holds that with present detection methods "it is impossible to eliminate the testing of nuclear explosions of the tactical

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weapon size, by any ban." Such testing is exceedingly important today, he says, and if another power continued this kind of research and the U. S. did not, this country would "soon be confronted with a situation in which there would be no defense."

Dr. Richard B. Roberts, of the Carnegie Institute, is far less gloomy. If the 21 stations now talked of for placement inside Russia were to be increased to 150, he thinks, almost all suspicious earth movements could probably be detected.

Dr. Hans Bethe, of Cornell, takes a middle view. He thinks it would take a network of 200 stations in Russia to detect underground blasts down to 20 kilotons. But test shots below that range, he thinks, have little military value—differing on this point with Teller, who believes they do have great military value.

• **More Data Needed**—Since the scientists agree that anything below 20 kilotons could probably go undetected, there obviously is immediate need for more research to develop better detection methods. That was certainly one factor behind the President's announcement that underground testing in the U. S. will be resumed before yearend. In the last analysis, the Geneva test ban decision will undoubtedly be a political one. Yet the negotiators need to know precisely what the limits and possibilities of detection will be—three, five, or even 10 years from now.

One good way to find out—in a hurry—is to set off another series of underground tests, pitting the latest ideas in detection against the most promising ideas on concealment.

The present U. S. program for seismic improvement—as Pentagon terminology describes it—is funded at \$10-million annually. Eisenhower wants to raise this to \$66-million for the next fiscal year, including a crash program of fundamental research in seismology.

• **Implications**—In recent Geneva negotiations, Russian delegates agreed that it would probably be necessary to conduct more underground tests to improve detection technology. This was to be part of a program for three-power scientific discussion (the U. S., Russia, and Britain) starting this week.

How the Eisenhower announcement would affect a three-way discussion of research possibilities and plans was uncertain early this week. Scientists of all nationalities are apparently agreed, however, that the state of the seismic art is woefully primitive—as oil prospectors and weathermen have known for decades. Even the most optimistic researcher is unwilling to predict how long it will take to bring the science of underground detection to a point where it can compete with what's already possible in concealment. **END**

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In Research

One Small Injection of Acid Found To Reduce Cholesterol Level in Rabbits

The level of cholesterol in the blood of rabbits can be lowered by a single small injection of desoxyribonucleic acid (DNA), according to a paper by Dr. J. Philip Savisky of New York's Montefiore Hospital, read last week to a startled meeting of the American Society for Clinical Investigation in Atlantic City. DNA is a substance that in the human body is more commonly associated with the genes that affect heredity.

Cholesterol, a fatty substance in the blood stream, has long been suspected as a cause of atherosclerosis—the ailment of the arteries that leads to strokes and heart attacks. It has been shown repeatedly that victims of heart attacks have had an unusually large amount of cholesterol in their blood.

But efforts to control the buildup of cholesterol in atherosclerosis cases have been balked by the fact that the body steadily produces the substance. As a result, diet has been only partially successful as a countermeasure.

Now Savisky's finding opens new horizons, though he admits that he doesn't know how DNA influences the body's manufacture of cholesterol, or even whether it is a chemical reaction. Actually, there is good evidence of some sort of chemical reaction between cholesterol and the body's supply of DNA. Savisky found that rabbits that have been injected with DNA later developed, as a side effect, an extreme sensitivity to diets that increase cholesterol.

It is also known that DNA can change chemical reactions that involve bacteria. So, it is reasoned, there is basis to think that DNA does interfere chemically with the production of cholesterol.

In any case, it's generally felt that Savisky has come upon something really big for heart research. A major program is getting under way to explore his findings.

Mass Test of Live Polio Vaccine Coming in Cincinnati Schools

Next week the Cincinnati Board of Health will start voluntary free distribution of live polio vaccine to school children. Unlike Miami's mass program for testing oral vaccine on children and adults (BW—Jan. 30 '60, p38), the Cincinnati project seeks primarily to find out whether one whole segment of a large city's population can be immunized—in this case, children from kindergarten through high school age.

Three doses of the so-called Sabin vaccine will be given: the first to protect against Type I polio, which causes 90% of all polio cases; the second in June against Type III; and the third in September against Type II.

No one will be forced to take the cherry-flavored

syrup, with its two drops of vaccine; parental approval must be secured. Children who have already had Salk shots are still eligible for the Sabin vaccine. Response to an earlier Cincinnati offer of free live vaccine for children from six months to six years indicates that about 100,000 will sign up for the new program.

Live polio vaccine is being tested on a big scale in the U.S. for the first time this year, but there have been wide and successful tests abroad of both Sabin and Cox vaccine. The Sabin vaccine has been tried out on the largest scale in Russia, where Dr. Sabin is now lecturing on his results at an international congress.

Three-Year Study Fails to Prove That Cloud-Seeding Produces Rain

Despite an intensive three-year study, it's still uncertain whether seeding clouds with silver iodide actually produces more rainfall than would have occurred naturally. That's the conclusion reported by three University of California researchers in *Science*, a publication of the American Assn. for the Advancement of Science.

More experiments are necessary to answer the question of why some clouds produce rain and others do not, the report says, before the value of seeding can be evaluated.

Basis for the survey was a cloud-seeding program run over Santa Barbara, Calif., between 1957 and 1959. This particular program is rare—and considered especially accurate—because no particular days were picked for testing purposes. Whether the seeding planes went up or not was determined daily by the flip of a coin.

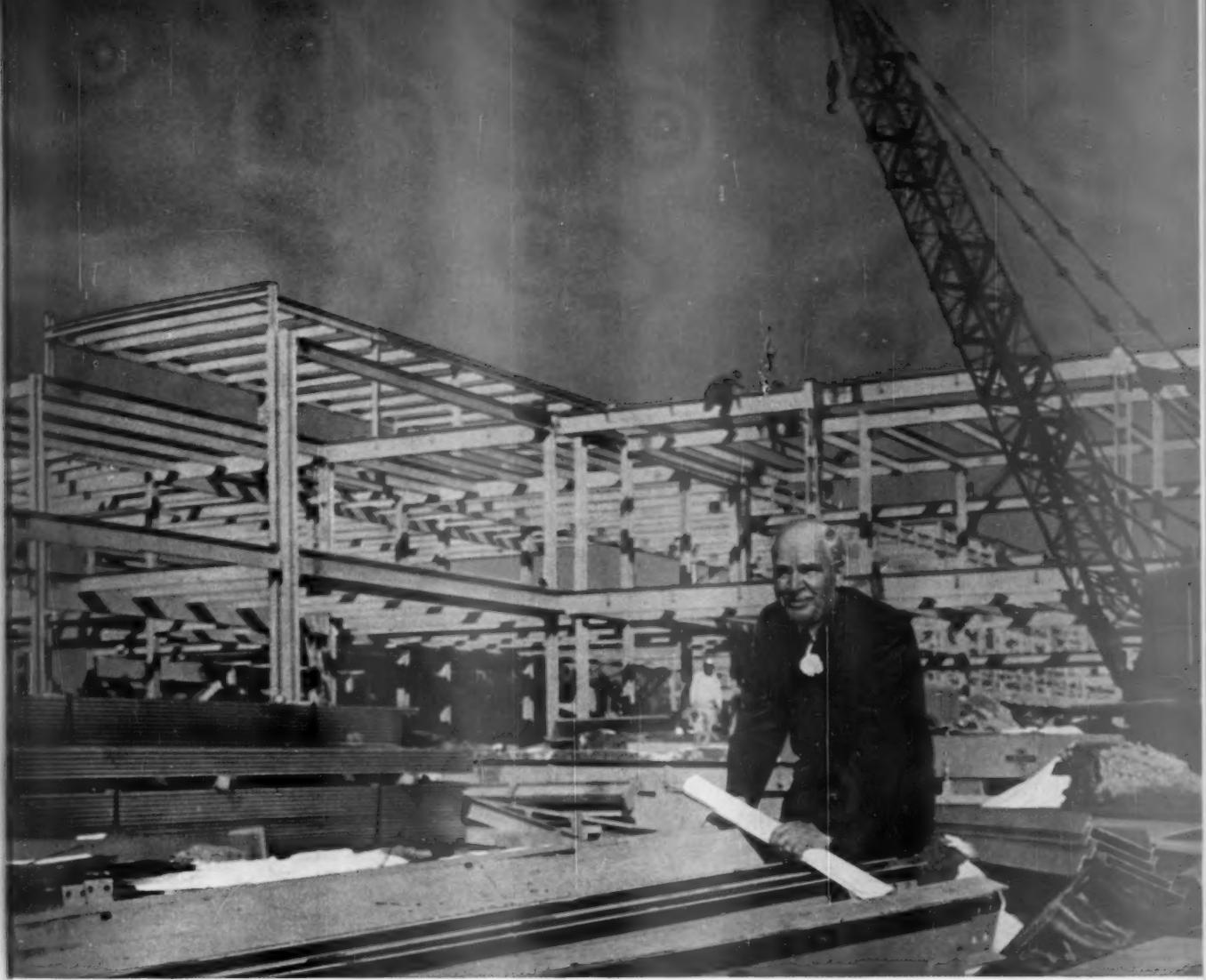
Spotting of Tiny Meteors May Bring New Theories on Interplanetary Matter

Those interplanetary "weather" reports of meteorite showers may have to be changed from "occasional" to "frequent," according to radar studies at Stanford University. Thinking about the origin and consistency of interplanetary matter may also have to be revised considerably.

Dr. Philip B. Gallagher and Dr. Von R. Eshleman of Stanford's Radioscience lab told the American Geophysical Union that new equipment had enabled them to detect meteors 100 times smaller than any that radar had been able to spot before—down to one-millionth of an inch.

These micrometeorites appear to bunch in numerous orbiting clouds, rather than orbiting independently, as had been believed. Gallagher and Eshleman find that the earth is encountering an average of 11 of these clouds at any one time, but they find no pattern for their occurrence, either geographic or seasonal.

Most meteorite material is believed to have been associated with comets, past or present. Hence the Stanford discovery indicates there may be a great many small, invisible comets in space; if true, this would call for new ideas on the origin of interplanetary matter.



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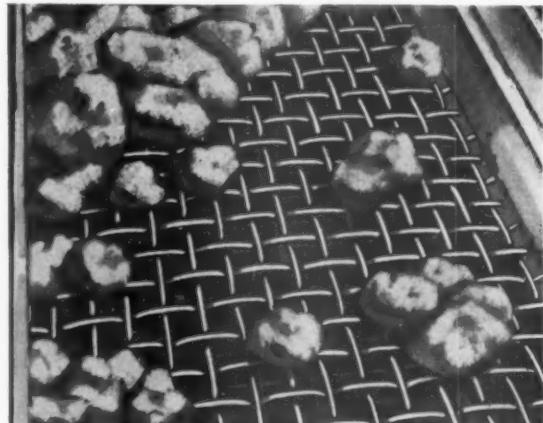


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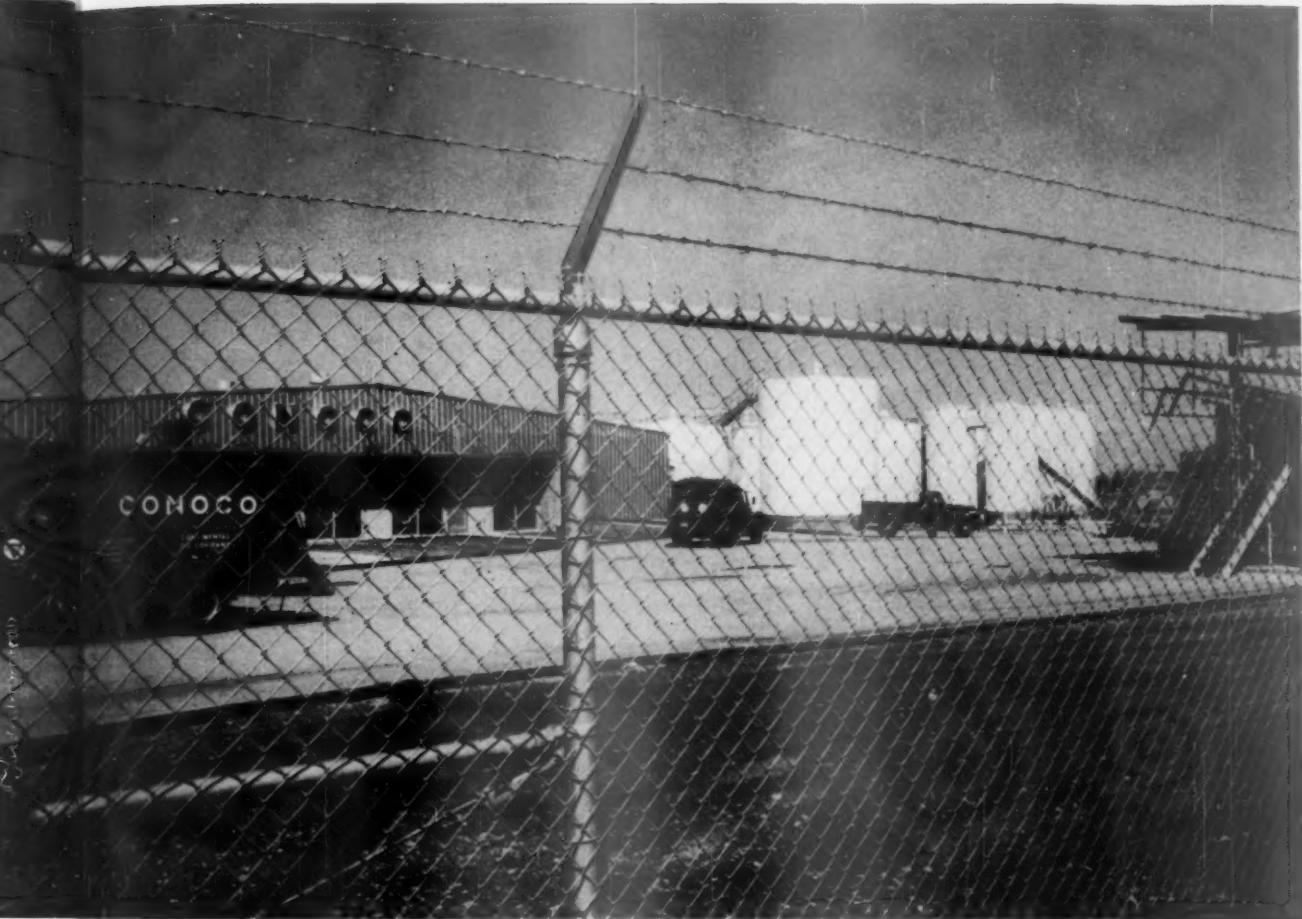


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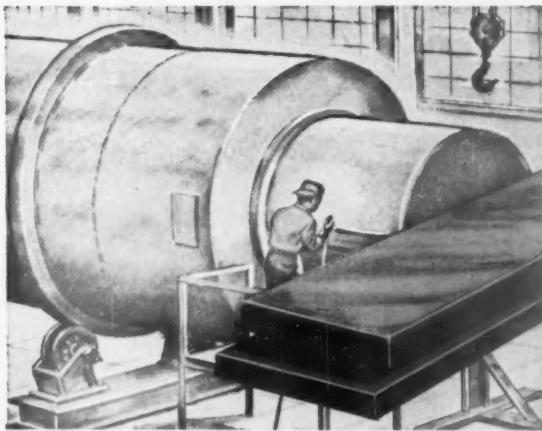


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INTERNATIONAL OUTLOOK

BUSINESS WEEK
MAY 14, 1960



The six-nation European Economic Community (EEC) next Jan. 1 will move ahead with the speedup plan proposed by its executive body, the Commission.

On Tuesday, at a ministers' meeting in Luxembourg, EEC's member nations agreed on virtually all the Commission's proposals. Internal tariffs are to be cut Jan. 1 by 20%, instead of the 10% originally scheduled for July 1 this year. Only one major question still was open at midweek—whether farm products would be included in the speedup plan.

As things stand now, EEC will be ready to offer a 20% reduction in its ultimate common tariff on Jan. 1, provided other nations are ready to grant reciprocal concessions. The bargaining is to be done at the tariff sessions due for later this year under General Agreement on Tariffs & Trade (GATT).

The handling of this 20% cut in EEC's common tariff may not go down too well in the U.S. There has been some hope here that the cut would be unconditional—as a token of EEC's liberal trade approach.

The big question now is what Britain and the other six members of the European Free Trade Assn. (EFTA) will do before Jan. 1. EEC has made a bid for discussions early in June.

If there is to be an accommodation between the Six and the Seven, something will have to be done about it this year. There are several reasons for this, including the fact that next year West German Economics Minister Erhard—who favors a deal with EFTA—will be all tied up with the German elections.

There's talk across the Atlantic today that London—despite its Commonwealth ties—is moving toward the idea of having EFTA work out a common tariff with the Six. That would make a 13-nation customs union in Europe.

—●—

Communist China is strongly urging a major turnaround in Communist policy toward the U.S. and Western Europe (page 25).

Peking is using the U-2 incident as leverage against what it considers Russia's policy of compromise toward Washington and Western Europe. Reacting to the plane incident, the Red newspaper Peoples Daily, a mouthpiece for the Peking regime, warned that "Marxism and Leninism hold that aggression and war are the very nature of the imperialists."

Obviously addressing itself to Moscow, the newspaper asserted that any attempt to come to terms with the capitalists would "promote the growth of imperialist effrontery. If we cover up the evil of the imperialists, that can only paralyze the people so that the danger of imperialism launching a war increases."

—●—

Two senators are preparing bills that would provide short-term export credit guarantees against commercial risks.

Sen. Monroney (D-Okla.) and Sen. Javits (R-N.Y.) are dissatisfied with Export-Import Bank's new program of guarantees that insure only against political risks (page 36). They propose a federally chartered private corporation that would cover, on 30-day to 180-day credits, risks from bankruptcy

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
MAY 14, 1960

and default as well as from war, currency inconvertibility, and import regulations.

There's already criticism that this plan is monopolistic. If opposition becomes too strong, Monroney and Javits would be willing to see short-term commercial export insurance come under Ex-Im or a separate government agency.

Congressional backers of the proposal don't expect to press it to a vote this session. But they intend to lay the groundwork for next year.

—•—
Activity related to Communism continues to dominate the scene in Cuba.

Premier Fidel Castro's regime has established diplomatic relations with the Soviet Union. The move is a logical follow-up to the \$100-million trade and aid agreement Castro signed with Soviet Deputy First Premier Mikoyan in Havana last February (BW—Feb. 20 '60, p47).

This opens the way for a large Soviet delegation that will probably control Russian propaganda and espionage throughout Latin America.

Castro has also succeeded in silencing his strongest open critic in Cuba.

The Cuban revolutionary regime this week closed the newspaper *Diario de la Marina*, charging that "its counter-revolutionary position could no longer be tolerated in the national interest."

Just before the seizure, *Diario* had editorialized that it is "difficult to believe that Communist ideology is not enjoying ascendancy in our official circles."

—•—
Russia's ruble may be getting a higher gold content (page 28) but there's little doubt it will stay just as non-convertible as ever. Even within the Soviet bloc, there is little likelihood that the ruble will be made genuinely convertible.

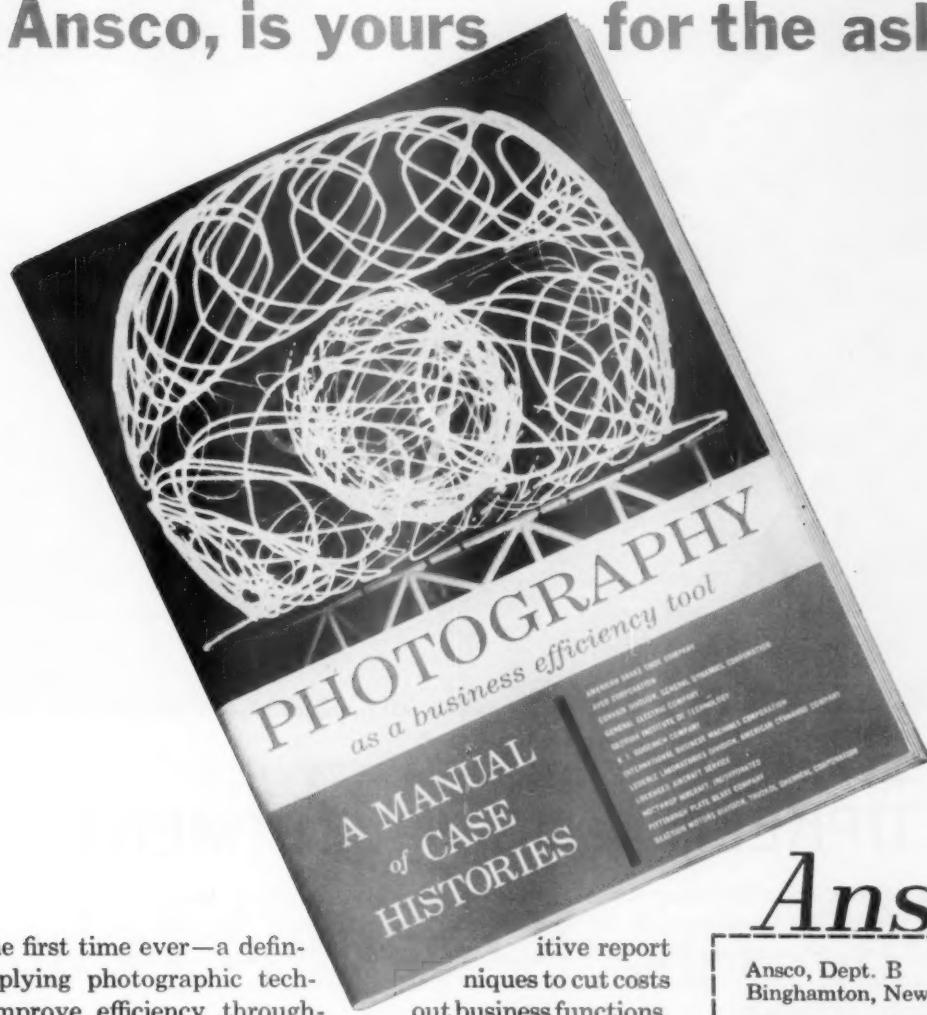
Intra-bloc trade has been tending toward an increasingly tight system of bilateral agreements. This allows Moscow to influence investment, production, and trade patterns of the entire bloc. Establishment of multilateral trade based on a convertible ruble would run directly counter to this trend—with no obvious advantages for the Soviets.

—•—
The Russians are said to be making the most of the downswing in U.S.-Arab relations.

It has not been confirmed officially but reports say the Soviets have promised to compensate Pres. Nasser's United Arab Republic at least in part for any losses it suffers from the Senate's "Suez" amendment to the foreign aid bill. The amendment empowers the President to withhold aid from any country that obstructs free navigation on international waterways.

Although Arab officials are doubtful that Pres. Eisenhower would invoke the clause against them for their economic boycott of Israel, they are not sure what the next President would do. They say pro-Israeli pressure in U. S. politics is manifest.

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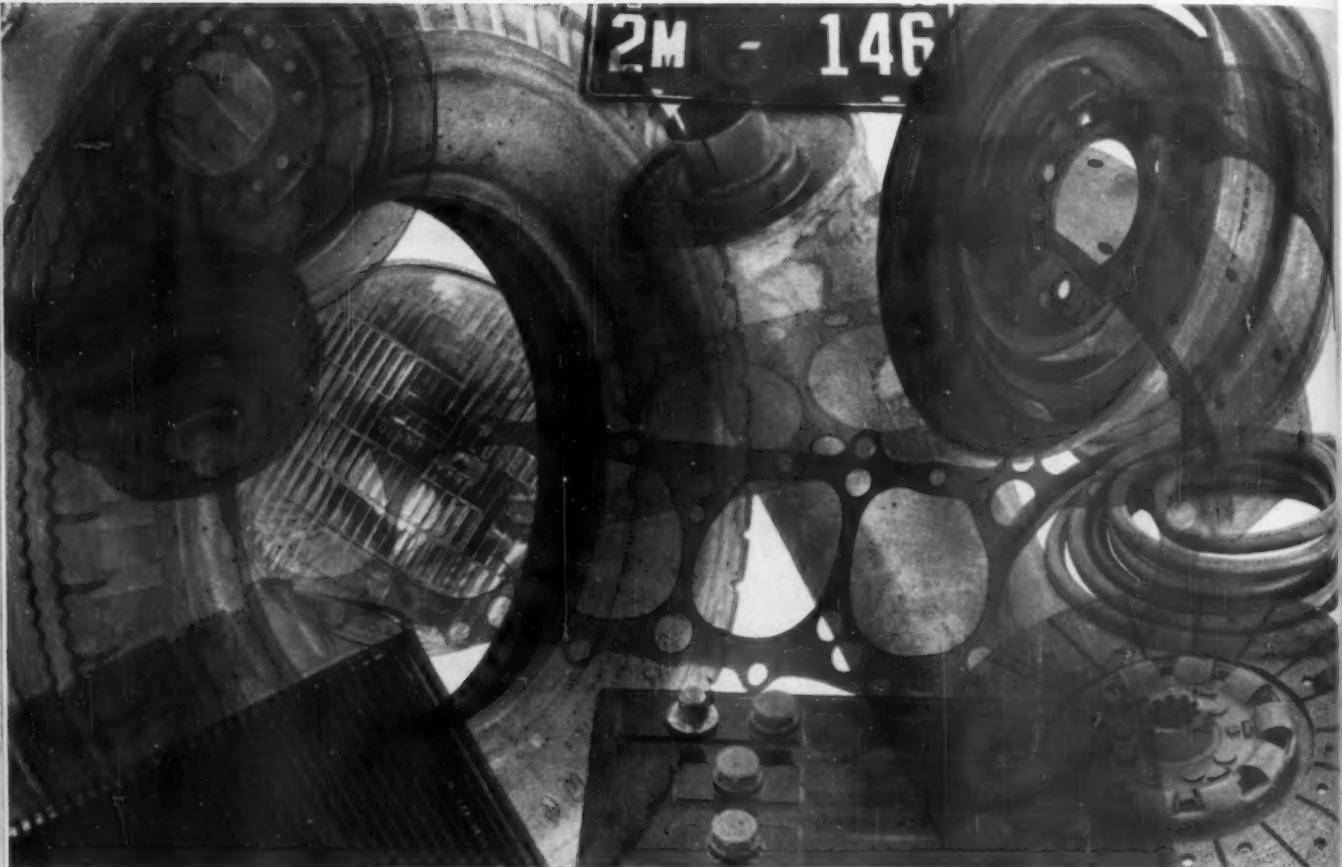
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THE MARKETS

Stock Market Scoreboard

These groups have made gains...

	DEC. 29 CLOSE	MAY 4 CLOSE	PERCENT CHANGE
Utilities	44.42	45.40	+ 2.2
Soft Drinks	19.31	20.59	+ 6.6
Building Materials	71.30	72.43	+ 1.6
Electronics	103.27	113.69	+ 10.1
Dairy Products	48.56	50.76	+ 4.5
Office Equipment	283.44	293.12	+ 3.4

	DEC. 29 CLOSE	MAY 4 CLOSE	12/29/59-5/4/60 PERCENT CHANGE
Publishing	118.83	121.71	+ 2.4
Printing	41.10	41.35	+ 0.6
Food Chains	57.24	58.49	+ 2.2
Variety Stores	19.49	19.58	+ 0.5
Tobacco	25.53	25.92	+ 1.5

These have declined along with the averages...

	DEC. 29 CLOSE	MAY 4 CLOSE	PERCENT CHANGE 12/29/59-5/4/60
S&P 425 Industrials	63.85	58.67	- 8.1
Brewers	40.71	38.17	- 6.2
Containers	28.08	26.46	- 5.8
Drugs	59.95	59.02	- 1.6
Electrical Equipment	80.99	76.14	- 6.0
Finance Companies	49.31	48.86	- 0.9
Meat Packing	27.42	24.54	- 10.5
Gold Mining	17.24	15.41	- 10.6
Machinery	53.11	47.76	- 10.1
Motion Pictures	40.25	39.40	- 2.1
Radio-TV Broadcasters	102.40	101.02	- 1.3

	DEC. 29 CLOSE	MAY 4 CLOSE	PERCENT CHANGE 12/29/59-5/4/60
Radio-TV Mfgs.	128.73	125.97	- 2.1
Department Stores	68.05	66.47	- 2.3
Shipbuilding	39.38	38.29	- 2.8
Shoes	22.12	20.89	- 5.6
Sulphur	24.72	23.68	- 4.2
Textiles	28.04	27.08	- 3.4
Banks, Outside NYC	56.58	51.41	- 9.1
Casualty Insurance	52.60	51.81	- 1.4
Fire Insurance	33.97	33.03	- 2.8
Life Insurance	152.86	138.02	- 9.7
Railroads	33.34	30.13	- 9.6

These groups have receded sharply...

	DEC. 29 CLOSE	MAY 4 CLOSE	PERCENT CHANGE 12/29/59-5/4/60
Aircraft Manufacturing	49.56	39.74	- 19.8
Air Transport	29.39	23.05	- 21.6
Aluminum	153.15	133.11	- 13.3
Automobile	70.02	56.69	- 19.0
Auto Parts	53.92	44.28	- 17.9
Distillers	72.62	62.67	- 13.7
Chemicals	60.83	50.57	- 16.9
Coal	83.19	69.13	- 16.9
Copper	30.50	25.43	- 16.6
Carpets and Rugs	22.29	18.29	- 17.9
Lead and Zinc	10.44	9.09	- 12.9
Machine Tools	27.00	21.92	- 18.8

	DEC. 29 CLOSE	MAY 4 CLOSE	PERCENT CHANGE 12/29/59-5/4/60
Metal Fabricating	55.92	48.64	- 13.0
Mining and Smelting	38.47	33.87	- 12.0
Crude Oil Producers	111.37	93.86	- 15.7
Integrated Oils	57.16	49.37	- 13.6
International Oils	77.14	67.40	- 12.6
Paper	186.59	160.32	- 14.1
Steel	93.52	74.26	- 20.6
Cane Producers	16.57	14.20	- 14.3
Textile Weavers	32.04	27.63	- 13.8
Tires and Rubber	203.59	162.31	- 20.3
Cigar Manufacturers	51.69	45.97	- 11.1
New York City Banks	29.61	25.98	- 13.3

Data: Standard & Poor's

© BUSINESS WEEK

Market Shrugs Off Spy Crisis

Wall Street took the pre-summit crisis in stride this week.

Specialty stocks were bid up sharply Monday morning, after the weekend disclosure of U.S. espionage over and around the Soviet Union (page 25). Stock buyers—for the moment, anyway—were apparently convinced that the incident of the U-2 would bring a new lift to business through renewed spending by the military and space-minded corporations. But the brief spurt died out, and stocks closed down for the day.

By midweek, the stock market had resumed its patchwork pattern of the past four months—generally dull with spots of life in select groups (table).

What's more, there seems little on the horizon to shake the market out of this pattern. Some analysts are beginning to sound more optimistic, partly because the market is about 80 points below its 1960 high, partly because businessmen talk of a big increase in capital spending. But the tone of the market remains flat.

• **Four in a Row**—In April, the stock market made it four months in a row of lower prices. Prices rallied at the outset of the month, recovering nearly half of the January to mid-March loss, but the rally petered out. And the consensus is that another testing of the 599 low of the Dow-Jones industrial average

is in order just around the corner.

From the table, however, you can see that the whole market isn't sinking. A few select groups have managed to swim against the tide.

Most of these are defensive issues, so-called because their traditionally stable earnings supposedly make them less susceptible to the market's downward swings. The utilities, for example, long-established storm havens, have climbed 2% since the beginning of the year. Also up modestly are such other defensive groups as soft drinks, dairy products, food chains, and tobaccos.

There are also a number of stock groups outside this defensive list that



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are bringing handsome rewards to investors. Some of these are regarded as growth stocks—such as electronics and office and business machine equipment—because their projected earnings show big increases ahead.

Others have climbed partly because of better projected earnings, partly because of changing trends in their business. Publishing and printing stocks are in this category. Still others are up chiefly on short-term projections. Building materials issues, for one, have climbed lately in anticipation of a better housing year than expected.

• **Breakdown**—Even the four-month figures in the table don't really show the shifting trends in today's market. For an inside look shows that more groups are making new highs now than at almost any time since January. In January's break, only one stock group—meat packers—was able to resist the slide. But in the latest market slump, close to 10 groups were able to gain ground.

Moreover, many groups have been picking up strength or cutting their losses—while others have seen their losses accelerating. Basically, this is because of the shifting profits picture for many industries. For example, drugs—although showing losses for the first four months—have picked up consistently since February in anticipation that earnings will show renewed strength this year.

• **Perking Up**—Some airline stock prices, one of the weakest groups over the past year because of poor earnings, actually showed an increase in April, and buying—timid, it is true—also is starting to show up in the oils. Both groups might have some relief in sight—the airlines from fare increases, the oils from a cut in refinery runs.

On the other hand, the decline in steel commons accelerated last month, along with the slide in the stock prices of farm equipment, chemicals, and auto parts companies.

Compared with a year ago, the picture is even more different. Since April, 1959, about two dozen stock groups, out of more than 50, have registered gains, even though the market over-all is roughly in the same place it was a year ago.

• **Best Performers**—Analysts stress that certain individual stocks, no matter what the industry, will outshine even the most defensive issue. They point to such recent outstanding performers as Brunswick, Ankeny Chemical, American Photocopy, Hydrometals, Fannington, and Universal Match as proof of the pudding. Analysts don't necessarily maintain that these same stocks will continue to do well. But they cite them to prove that in picking winners in today's market, it's more a case of picking individual issues, than of selecting individual stock groups.

Wall St. Talks . . .

... about profiting from
Fairchild-Du Mont merger, boat
for Khrushchev, insider selling,
quick changes in a thin market.

Arbitrators say there's an "attractive" swap between Fairchild Camera & Instrument Corp. (1534) and Allen B. Du Mont Laboratories, Inc. (94)—both listed on the American Stock Exchange. The two plan to merge and swap one Fairchild share for 15 Du Mont common shares or 5.7 Du Mont preferred shares, which are trading about 204. On this basis, Du Mont is undervalued; by selling Fairchild short and covering with Du Mont, profit is assured. The only possible catch is a rumor—denied by both companies—that the merger may not go through.

Indiana Gear Works ran up 8 points in 20 minutes last week when word leaked out that Pres. Eisenhower may give one of the company's "turbojet" boats to Khrushchev when—and if—he visits Russia. Indiana Gear—which was first sold at 10 last November and traded as high as 56 before dropping back to the present level of about 43—now has about half its \$15-million sales in pleasure boats, in addition to the gear business it does for the military.

Privately owned United Industrial Syndicate—which claims to control 13 companies with sales of \$50-million and net worth of \$15-million—is out shopping for new businesses to buy. "We're looking for an industrial company that's closely held, so we can get at least 80% control," says Jack Koenig, secretary. Word of the shopping trip has at least one major Wall Street underwriter dusting off the wares on its shelf.

Insiders are selling more stock than they are buying, Securities & Exchange Commission reports show. In April, officers or directors of American Bosch Arma, American Motors, Cessna Aircraft, General American Industries, Hoffman Electronics, Litton, and Rexall all pared their holdings.

Specialty stocks can move very fast in a thin market, as Spear & Staff can testify. The stock advisory service had a writeup recommending purchase at \$16 of Jarrell-Ash Co., a small concern in the spectrum analysis field, ready for its May 10 issue. By the time the issue was to be mailed, the supply of Jarrell stock had dried up and its asking price had soared. Spear had to add a note advising its clients to avoid purchases until the stock settled down to, say, 13 or 14.

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U **Aviation and Space**
U. S. Science Corporation, Los Angeles, Calif. Manufacturers of flight and cruise control systems, portable wind tunnels, precision potentiometers, communications and navigation equipment, intervalometers, air data computers, mach sensing devices, etc.

SEM **Miniaturization**
U. S. Semiconductor Products, Phoenix, Arizona. Manufacturers of diodes, transistors, tantalum capacitors, and other semiconductor products for miniaturization.

DET **Capital Equipment**
Detroit Stoker Company, Monroe, Michigan. Manufacturers of mechanical automatic stokers under steam and hot water boilers and industrial furnaces. Incinerator grates for municipal and industrial use.

SP **Construction Materials**
Southern Pacific Milling, Ventura, California. Producers of basic materials for all types of construction—ready-mix concrete, asphalt paving, aggregates.

MP **Automation**
Micro-Path Inc., Los Angeles, California. Manufacturers of "Micro-Path System" numerical control programmer; "Micropositioner" portable positioning table; printed circuit board drillers.

TOPP **Research and Development...**
by Aircraft Armaments Inc., Cockeysville, Maryland, in aero-dynamics, ballistics, electronics, ordnance and electro-mechanics. Design and manufacture of electrical and mechanical devices.

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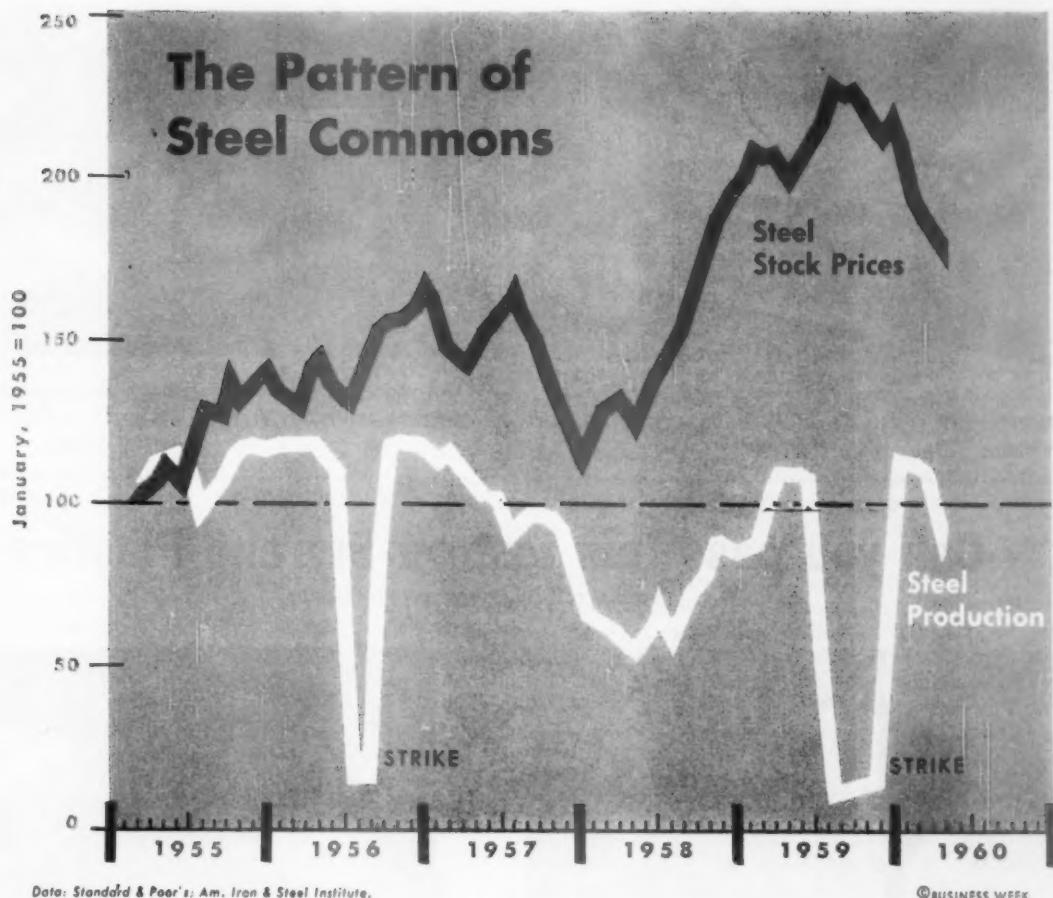
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Time to Buy Steels May Be Near

Stock market technicians are peering long and hard at charts similar to the one above, showing the relation of prices of steel stocks to steel production. Historically, the movement of steel stock prices has tended to be an advance indicator of the trend in steel output; if prices go up, for example, it suggests that production will before long be turning in the same direction. So, some technicians feel they can reasonably forecast a "buy" signal for steels by watching their charts.

Currently, these technicians conclude that a "buy" signal may not be visible yet—but that it is fast approaching. They base their reasoning on two factors:

- The rate of steel production is still sagging.
- Steel equities seem to be priced—or overpriced, depending on your point of view—in line with the rest of the market.
- **Time to Buy**—In the past, steel commons turned out to be good buys just about the time steel production was

reaching its cyclical lows and new orders were starting to creep up. At this point, heavy selling normally eased and buying from institutional investors perked up—on the theory that the next major news about the industry could be favorable.

Schroeder Boulton of Goodbody & Co. points out that things happened this way in 1957-58, when the low in steel stocks preceded the low of the industry itself—though it came later than the lows in the general market. Boulton and others look for an upturn in steel commons sometime around the third quarter.

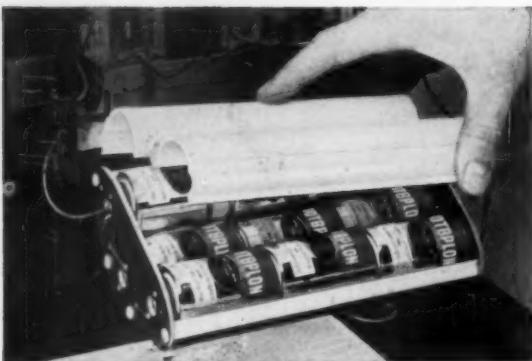
At present, steel output is just under 75% of capacity, but operations probably have yet to hit bottom; Boulton feels the rate will drop to 70% or less before inventories are chewed up.

• **Farther to Go**—For this reason, the general feeling is that steel stocks aren't immune from further decline. Taken as a whole, they have already dropped almost 21% since Jan. 1, compared to a decline of about 8% by

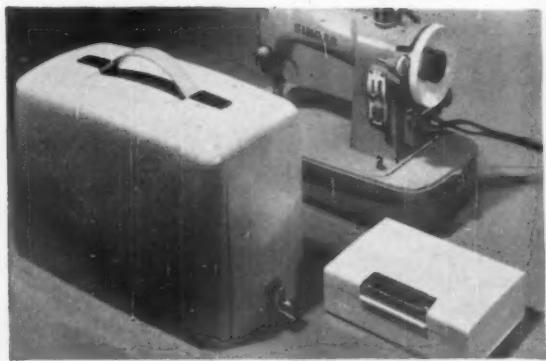
industrial stocks as measured by most yardsticks. U.S. Steel, which peaked at 103½, is now 75; Bethlehem has dipped from 57 to 43; Youngstown Sheet & Tube has slipped from 138½ to 102½.

However, the chart above—plus some fundamental analysis—lead some securities men to believe that a few long-term buying opportunities are opening up. Steel production should reach 120-million tons this year—about 10-million tons below earlier predictions—and this should bring record earnings to most steel companies. Profits should be particularly outstanding for U.S. Steel, Republic, and Jones & Laughlin, according to Standard & Poor's.

Moody's also likes Republic and Jones & Laughlin, which may increase its dividend and engage in a stock split. In addition, Moody's thinks the purchase of Bethlehem and Inland Steel is justified now. In its view, Bethlehem's 5.5% yield and Inland's profit stability make the two stocks stand out above other major steels. **END**

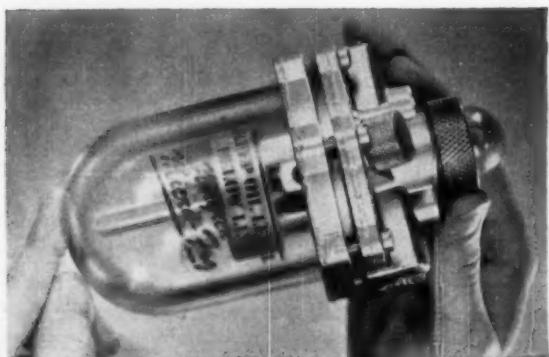
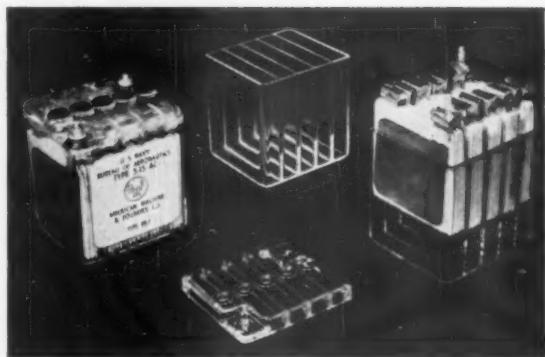


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In the Markets

SEC Accepts Consent Decree in Suit Against Equity Corp. Over Subsidiaries

The Securities & Exchange Commission settled out of court this week its suit against Equity Corp., an \$86-million investment company, to force it to dispose of its subsidiaries (BW-Apr. 30 '60, p115).

Under a consent decree, Equity Corp. now will be required to liquidate Equity General Corp. and Development Corp. of America, or merge them into Equity Corp. In effect, the move accomplishes what SEC set out to do—but with an important difference.

Originally, SEC allowed Equity to acquire DCA on condition that Equity would eliminate DCA's investment company status by Dec. 16, 1959, or get rid of DCA. Under the Investment Company Act, no investment company may own more than 5% and, in certain instances, more than 3% of another investment company. But, says SEC, Equity did not live up to its bargain. Equity says the reason was dissension on DCA's own board—and this proved a ticklish problem for the regulatory agency.

If SEC had taken the case to court—and had won—it would have set a precedent that SEC could be expected to intervene in an intra-board dispute, so it approved the consent decree in its present form.

As part of the settlement, the dissident DCA directors, who represent DCA's preferred shareholders, will be able to turn their stock in to DCA at \$26 a share, which will mean a substantial profit for them.

Bond Market Marks Time as Dealers Wait for Signal for Upward Turn

The bond market behaved erratically and indecisively this week, a state of affairs dealers are beginning to characterize as "normal." Trading was light, with much of the activity centered in the tax-exempt market and in high-grade corporate bonds. In part, this activity was due to aggressive bidding for a \$20-million issue of Aaa Wisconsin Telephone Co. bonds, offered to investors to yield 4.8%. Dealers said that interest in the Wisconsin issue was spurred by a feeling that the bond market may be approaching a decisive turn. If bond prices do go up—and interest rates drop—said one dealer, "then the Wisconsin bonds could turn into a real gold mine."

However, the bond market is not likely to establish a clear upward trend until the money managers make a decisive move. There is no indication as yet that the Federal Reserve is planning to shift from its present "wait and see" policy. The Fed is no longer pressing a tight policy, but it has not gone over to ease either—although some bond dealers say they would not be surprised if the discount rate was lowered from its current level of 4%. At midweek, market rumors had it that a few big commercial banks were buying government bonds

in anticipation of just such a move. But traders in the Treasury bill market—normally the most sensitive to a change in the discount rate—were unimpressed.

Rail Stocks Dip to 19-Month Low—Merger Move Fails to Halt Slide

Rail stocks dropped this week to their lowest point in 19 months, with the Dow-Jones rail average slumping to 137.68; its high in 1959 was 173.56. Analysts cite the hazy earnings outlook as the reason for the rails' decline.

For the first three months, carloadings were significantly below expectations—with bad weather responsible for taking a particularly deep bite out of grain shipments. In March, for example, Class I roads earned only \$44-million, compared to \$58-million a year ago. Stock buyers are waiting for definite signs of a resurgence of business activity before doing any sizable investing.

The whole rail list has suffered, and not even talk of merger—and the economics such mergers would bring—is spurring investors. For example, directors of Atlantic Coast Line RR and Seaboard Air Line RR said this week they hoped their long-proposed merger might be approved next week. Yet on this news, the stocks of each line dropped. Atlantic Coast Line closed Tuesday at 47 $\frac{1}{2}$, off 1 $\frac{1}{2}$ for the first two days of the week; Seaboard closed at 36, off $\frac{1}{2}$.

The drop came despite a widely held feeling that the merger would be good for both lines and would put the combined company among the 10 largest rail networks in the country in operating revenues. It's reported that consolidation could produce up to \$50-million in tax savings, and another \$15-million in annual operating savings.

Dow Theorist Sees Bears Multiplying

A prominent market theorist said this week that stock prices were only in the first phase of a bear market—when stocks sell minus the hopes of the previous bull market—and that even lower prices were on the way. Richard Russell, who ranks as one of the most popular of the Dow theorists, explained that in the second phase, "usually the longest," stocks "go down in response to obviously deteriorating business conditions and contracting corporate earnings." The third and last phase is "marked by distress liquidations. . ." He thinks the present first phase may last from one to six months longer.

Stocks' Shifts Traced to Fund Moves

Mutual fund security transactions in the first quarter got a hard going-over from E. F. Hutton & Co., which came up with some clues on the behavior of certain stocks. The brokerage house study points out that in the first three months, the funds reduced their selling of airlines, made new commitments in savings and loan holding companies, and showed a revived interest in oils and in packaging and paper. The funds showed a negative attitude toward steels, some drugs, and auto shares.

Water for Arizona's Deserts

Ruling for state in Colorado River fight with California could bring Arizona land boom, spur California's own project.

Former Federal Judge Simon Rifkind made his recommendations to the U. S. Supreme Court this week, as special master, on a final decision in the long dispute between Arizona and California over rights to Colorado River waters. His ruling gave a boost to two big projects for developing the water resources of the region:

- His recommendation in favor of Arizona's claims—if approved without change by the Supreme Court—could set off a land boom in central Arizona to eclipse all past booms. This could come through revival of the 1949 Central Arizona project, which was shelved by Congress because of lack of firm water rights.

- His thumbs-down on California's pleas put new steam into a drive for that state's own water project—the Feather River-Delta diversion project to bring surplus Northern California water down to Southern California. Though California will fight the Colorado River battle to the finish, both Mayor Norris Poulson of Los Angeles and Gov. Edmund G. (Pat) Brown said it is more imperative than ever for the state to settle its differences and support a \$1.75-billion bond issue for the state's project to be voted on next November. Total cost over a quarter century could run up around \$10-million.

- **Ruling**—Rifkind's recommendations, if approved by the court, would give Arizona 3.8-million acre-ft. of water annually whenever sufficient supply was available. California would get 4.4-million acre-ft., as against its claim to 5.3-million. Ironically, it was California that tried for seven years to get Arizona to agree to Supreme Court adjudication of water rights before Arizona finally filed suit in 1952 after its Central Arizona project was shelved in Congress. California then consented to join, on condition that the U. S. intervene and become a party.

Rifkind's report, as Californians and others see it, finds the Colorado a federal stream controlled by the Boulder Canyon Act of 1929. He rejects as irrelevant California arguments based on the cherished Western right of prior appropriation, on equitable distribution, and on the interstate Colorado River Compact of 1922.

- **Final Decision**—Those close to the



case in Washington think the final decision can come within a year. The parties must give Rifkind their comments by June 10, and his final report might well go in before summer's end.

The Supreme Court will then set a time limit for filing exceptions. Justice Dept. lawyers and others believe this will be timed to permit the court to schedule oral argument during next winter's term and reach a decision before June, 1961. Some non-legal Californians, citing the Tideland case, look for a longer delay, up to two years; but the lawyers think the case is in the home stretch, despite California's determination to use every available legal weapon.

- **Arizona's Hopes**—The additional 1-million acre-ft. of Colorado River water per year that Arizona would get under Rifkind's recommendations would appear to make the 1949 Central Arizona project physically feasible today. Its advocates feel that it would be quite possible to make it economically feasible, too.

In 1949, the cost was estimated at \$738-million. On the basis of the rise in Engineering News-Record's construction cost index from July, 1947, to May this year, the same plan would cost twice as much today.

One possible hitch is Rifkind's tentative finding that Indian reservation

lands have top priority on water use, whether already developed or not. According to rough estimates received by the office of U. S. Sen. Carl Hayden (D-Ariz.), this would take 500,000 acre-ft. of Arizona's share and 250,000 acre-ft. of California's.

Chmn. Wayne M. Akin of the Arizona Interstate Stream Commission cast some doubt on the likelihood of new land developments resulting from what he called Arizona's "tremendous victory." If the court upholds the recommendation, he said, the extra water would be used rather to supplement water-short agricultural and urban areas, especially in the state's central and southern desert sections. Assurances of an adequate, unfailing water supply not so dependent on rainfall as in the past would also help industrial development.

- **Effect on California**—Californians express shock at what they call the turning aside of 100 years of water law. The state's immediate loss is not so great as the potential loss, however. Last year Southern California took 4,558,000 acre-ft. from the Colorado, against Rifkind's allowance of 4.4-million acre-ft.

Hardest hit will be the Metropolitan Water District, which serves 87 incorporated cities in Southern California, including Los Angeles and San Diego. San Diego could be hurt more than any other city; Los Angeles, of course, has

other supplies from the Owens River Aqueduct. MWD has a first priority of 550,000 acre-ft., a full entitlement of 1,212,000 acre ft.—but there is a definite hazard now on the amount beyond the first priority. Last year MWD delivered a record 650,000 acre-ft. It is dedicating this week a new multimillion-dollar aqueduct for drawing more Colorado River water; officials had expected to be drawing the full entitlement by 1975. But Californians expect little change in the immediate future.

• **Power Angle**—The report raises a question as to what the Federal Power Commission will do about competing Arizona and Los Angeles applications for a license to build Bridge Canyon Dam on the Colorado.

The dam was an essential feature of the Central Arizona project—both for power to pump the water to the central area and for power revenues to pay for other features of the project. Arizona filed in 1958 for both Bridge Canyon and a second Marble Canyon hydroelectric project. It revised its application last December, when the combined cost was estimated at \$347-million. The two hydro projects would go a long way toward carrying the water project.

In February, Los Angeles countered with an application to build Bridge Canyon (but not Marble Canyon) for 243-million. FPC may well hold off until the Supreme Court speaks.

Rise in Great Lakes Brings Bonus for Ships

In financial parlance, "water" isn't likely to be a source of dividends. But Great Lakes shippers are getting an unexpected water dividend this year, as lake levels rise out of a seven-year decline that took them to one of the deepest troughs in a century. Payloads of ships, sharply affected by changes in water levels, might increase as much as 10% as a result of the extra draft.

The Great Lakes, largely unaffected by weather decisions, tend to cyclic ups and downs. Right now, Michigan and Huron are a foot above last year's April-May level. The low points on the Seaway system have already been affected. Last week, for example, the Army Corps of Engineers increased drafts through the critical Erie-Huron straits at Detroit by 4 in. to 24 ft. 3 in. The Engineers expect the lakes to continue rising indefinitely.

The greatest effect will likely be on iron ore, limestone, and coal boats. The extra loads the ore boats can carry are gravy, costing almost nothing in extra fuel and shipping time. The same number of ore boats will be able to bring in 3.5-million short tons more than last year. **END**



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RICARDO ARIAS is the candidate of the "ins" for President of Panama. His goal, more control of the canal, is shared by . . .



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Both Want U. S. Concessions

Panama's voting is over, but days later the result was still unknown. Among the people, violence smoulders.

For a year or more, political unrest in the Republic of Panama has stirred up anti-U. S. feelings, centering around resentment of the U. S. position in the Panama Canal Zone. Sometimes the "anti-Yanquism" has lain dormant, but at other times it has erupted violently, as in last fall's riots. And it is likeliest to come to the surface whenever Panama's politics heat up, as during the recent Presidential campaign.

Voting for a new President was completed last Sunday, but at midweek it still wasn't clear which of the two leading candidates had won: Ricardo Arias or Roberto Chiari (pictures). After starting to count the votes, the Electoral Tribunal abruptly stopped and turned the tabulation over to the National Vote Counting Board, to start tallying this weekend.

Neither in Washington nor Panama were observers quite sure why the figures weren't being released. Some speculated that the Panamanian government had ordered the news blackout to prevent outbursts of violence.

• **Close Race**—According to early returns, the two leading contenders were running a close race, with Chiari hold-

ing a slim lead. Both candidates were rallying their supporters in mass meetings, claiming victory. As the situation grew more tense, businessmen in downtown Panama City boarded up their shop windows, and a number of people left the city, fearing an outbreak when the results are announced.

Whatever the outcome of the election, it won't make much difference to the U. S. Arias is candidate of the incumbent party led by Pres. Ernesto de la Guardia; Chiari heads a coalition of opposition parties. But both come from the same oligarchic ruling class, and both want the same thing, so far as the U. S. is concerned. They and most other Panamanians agree on exerting pressure on the U. S. to gain concessions in the Panama Canal Zone. Of the two, U. S. officials consider Chiari the less moderate.

• **Value of Canal**—The Panama Canal, as every U. S. schoolboy knows, is an extremely valuable property. Although its strategic military value has decreased with the concept of total nuclear war, its usefulness for moving warships and supply vessels in a limited war has not diminished. And as a commercial asset, its worth has never been higher than it is today. About 80% of all cargoes passing through the Canal are bound to or from the U. S.

In the long run, Panamanians want sovereignty over the Canal Zone and

equality with the U. S. in operating the Canal and drawing revenue from it. They differ on how to go about it and how hard to push, but they are agreed on the goal.

• **U. S. Stand**—This objective obviously conflicts with the U. S. position in the Canal Zone. In their 1903 treaty, Panama and the U. S. agreed that the U. S. would exercise, in perpetuity, all rights, power, and authority as if it were sovereign, to the exclusion of any such sovereign rights for Panama. Despite two major revisions of that treaty, that provision still stands, and remains the legal basis for the U. S. presence there.

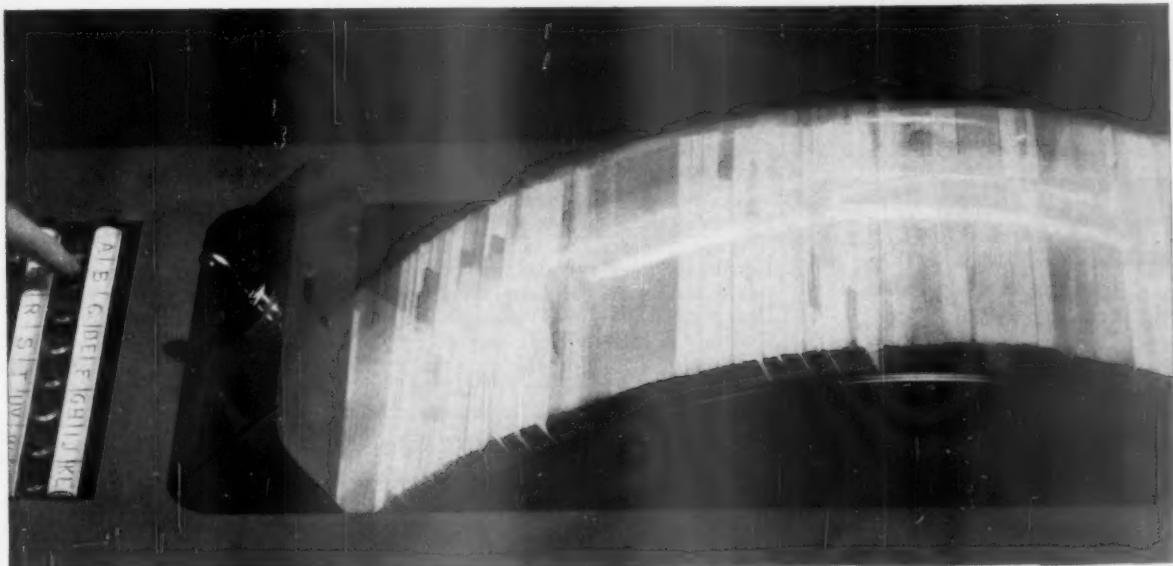
The present governor of the Canal Zone, Maj. Gen. William E. Potter, says disturbances over the Canal arise from two different philosophies of Canal operation. The U. S. views the Canal as a world highway that it operates at cost. Panama regards the Canal as an economic asset to be exploited by greatly increasing tolls to provide a profit for the owner.

• **Nationalist Feeling**—There are several other reasons for the almost inevitable conflict with the U. S. Panama is caught up in the same brush fire of nationalism that is sweeping through the rest of Latin America. Having a foreign power within its territory does not endear the foreigner to the homeland under the best circumstances.

Economically, Panama is a poor



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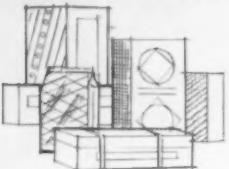
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country. It annually runs about a 10% deficit in its government budget. It views the Canal as an economic asset, the way another country regards oil resources or rivers navigable for trade. Although the Canal was manmade—by the U.S.—Panama resents not getting as much income as possible from what it considers its primary economic resource.

Most Panamanians also resent the affluence and social attitude of the U.S. citizens who live in the Canal Zone. While the civil service and military salaries of those working in the Zone are not high by stateside standards, they include a 25% differential and enable the Canal Zoners to live at a much higher level than their neighbors in Panama. Moreover, few Canal Zoners have much contact with Panamanians living outside the Zone, and the local people regard this as a mark of snobbishness and arrogance.

• **Deeper Grudges**—All these resentments combined last fall in Panamanian marches on the Zone and subsequent clashes with U.S. military police. The immediate causes of those demonstrations were grievances over jobs and wages but these were only symptomatic of deep-seated grudges.

Out of those demonstrations has come the most crucial of the present differences between the U.S. and Panama—whether Panama will be allowed to fly its flag in the Canal Zone as evidence that it retains visual sovereignty in the Zone.

When the idea first came up, Pres. Eisenhower saw no reason for not acceding to Panama's request. The State Dept. agreed. But the Panama Canal Co. and the Defense Dept. argued that this would be but another step in a long history of concessions to Panamanian demands and would further erode the U.S. position in the Zone. They said that allowing this would do little except whet Panamanian appetites.

• **Whose Flag**—A sampling of opinion expressed in Panama's press lends weight to this argument. Many politicians and editors see the Panamanian flag over the Canal Zone as a prelude to opening treaty negotiations in which Panama would press for such sovereign functions as courts, police, and administration in the Zone, plus a 50-50 split of the revenues from the Canal.

Congress so far has sided with the Defense Dept. in taking a hard line. Last winter, the House passed a resolution, 320-12, advising the President not to allow Panama to fly its flag in the Zone. The same resolution was introduced in the Senate but is still sitting in the Foreign Relations committee.

With the flag-flying affair deadlocked, Eisenhower announced a nine-point program in April to improve U.S.-Panamanian relations. It included pay

raises, equalization of job opportunities, and provision for better housing. This took some of the sting out of the resentments and helped reduce anti-Americanism during the presidential campaign.

• **Adjournment**—Eisenhower's actions will salve Panamanian feelings only partially. The issue of sovereignty remains unresolved. Some observers think that the new Panamanian president will wait until the U.S. Congress has adjourned to begin putting pressure on the U.S. again. This could lead to more outbreaks.

While there's little threat of a Nasser-type attempt at take-over at this point, there are enough elements working in Panama to make the situation serious. Some Panamanians, such as Aquilino Boyd, a member of the legislature, would be happy to use this sort of pressure against the U.S. Cuban representatives of Fidel Castro and Arab agents of Pres. Nasser are known to be working in Panama to take advantage of any incident to embarrass the U.S. And the Communists, of course, can be counted on to encourage any disruption.

The U.S. is in a real dilemma in Panama because, as one Washington official says, it will be wrong no matter what it does. If it follows a hard line toward Panama, there will be continued strained relations. If it follows a soft line, Panama most likely will continue to demand concessions until it achieves its objectives.

One compromise solution has come up from time to time, but with little enthusiasm shown by anyone concerned. That's internationalizing the Canal by turning it over to the Organization of American States or the United Nations to run. Panama is most outspoken in opposing such a move, saying that OAS or UN operation of the Canal would be little different from U.S. control.

The U.S. is also considering building another canal. Even with current modernization, the present canal will be unable to properly service shipping after 1975, the Panama Canal Co. estimates.

The Canal Zone is probably favored as the site of a new canal because its status is already established by treaty and some of the existing waterway could be used. Nicaragua and Mexico are also mentioned as possibilities. U.S. officials occasionally mention these two countries to remind Panama that its preferred position is not guaranteed.

Engineers talk of digging a sea-level canal instead of a lock canal such as the present one. It would be expensive, with estimates running around \$2.5-billion over ten years of construction. But it would be faster, easier, and less costly to operate. **END**



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In Business Abroad

British Trade With China, Russia Is Expanding at a Rapid Rate

British trade with Red China and Russia is expanding at a fairly fast clip.

Britain's business with the Chinese mainland in the first quarter came to about \$23-million in imports (up 64% from the same period last year) and \$27.4-million in exports (up 44%).

British-Soviet trade is still not so much as Soviet officials would like, but two-way business in the first three months of this year amounted to \$66-million (approximately balanced). That's a considerable increase over the \$48-million trade in the first quarter last year.

Venezuela Starts Proceedings to Buy Or Expropriate Rockefeller Farm

Gov. Nelson Rockefeller's 9,000-acre farm in Venezuela may be taken over by the Venezuelan government and distributed to peasants under an agrarian reform program.

Last week, the National Agrarian Institute started proceedings for purchase or expropriation of Rockefeller's Palo Gordo Farm. The move came as a surprise, since the farm falls within the definition of holdings that fulfill a "social function" under Venezuela's new program of economic reform (BW-May'60,p114).

"We are now discussing with Venezuelan officials what is the most feasible solution," a Rockefeller representative said. "Nothing has been finalized."

The farm is not Rockefeller's only property in Venezuela. He owns another farm and a 100,000-acre ranch. A Rockefeller company, International Basic Economy Corp., operates dairies and a supermarket chain in Venezuela.

New Study in Britain Recommends Adoption of Decimal Money System

As far back as 1824, the British Parliament considered dropping the cumbersome pound, shilling, and penny values in Britain's money system and adopting instead the easier decimal scale. The proposal failed then, and it has ever since.

Last week, however, Britain was at it again—talking reform with a greater air of expectancy than ever before. After a two-year study, the British Assn. for the Advancement of Science and the Assn. of British Chambers of Commerce unanimously recommended that the British government make an "early decision"—preferably for the decimal system. Reason for a quick decision is that every year's delay will add to the large bill for converting office machinery.

During the study, the committees heard from some 2,000 companies, associations, and government bureaus. Conclusion: The present system is all right, but decimal-based coinage would be better.

Actually, the whole Commonwealth trend is toward a decimal system. India, for instance, has converted to decimal. South Africa will next year. Australia and New Zealand are considering the change.

South Africa estimates the cost of converting machines at about \$25-million. Britain's conversion would cost far more—an estimated \$360-million (though some estimates run as high as \$1-billion). It would be a windfall for business machine manufacturers, which include several top U.S. companies.

Gloomiest prospect is that reform—even after a three-year warning by the British government—would take from 10 to 30 years to complete.

European Coal & Steel Community

Attacked as Unfair by Germans

West German charges of discrimination may be voiced against the European Coal & Steel Community (ECSC) next week in Strasbourg at a meeting of the Parliamentary Assembly. This body serves as a debating and advisory forum for member-nations of ECSC, the Common Market, and Euratom.

West German industrial and official circles say the coal-steel High Authority has just dealt unfairly with one of West Germany's biggest steel companies, August Thyssen-Huette AG. Thyssen wanted to take over Phoenix-Rheinrohr AG, but withdrew its application after the High Authority insisted on special investment controls as a condition of the merger.

Thyssen was willing to limit its investments for three years but no more. It also had agreed to sell off part or all of the shares Thyssen and Phoenix-Rheinrohr held in a number of other coal-steel companies.

A similar Belgian merger was approved in 1955, the West Germans argue.

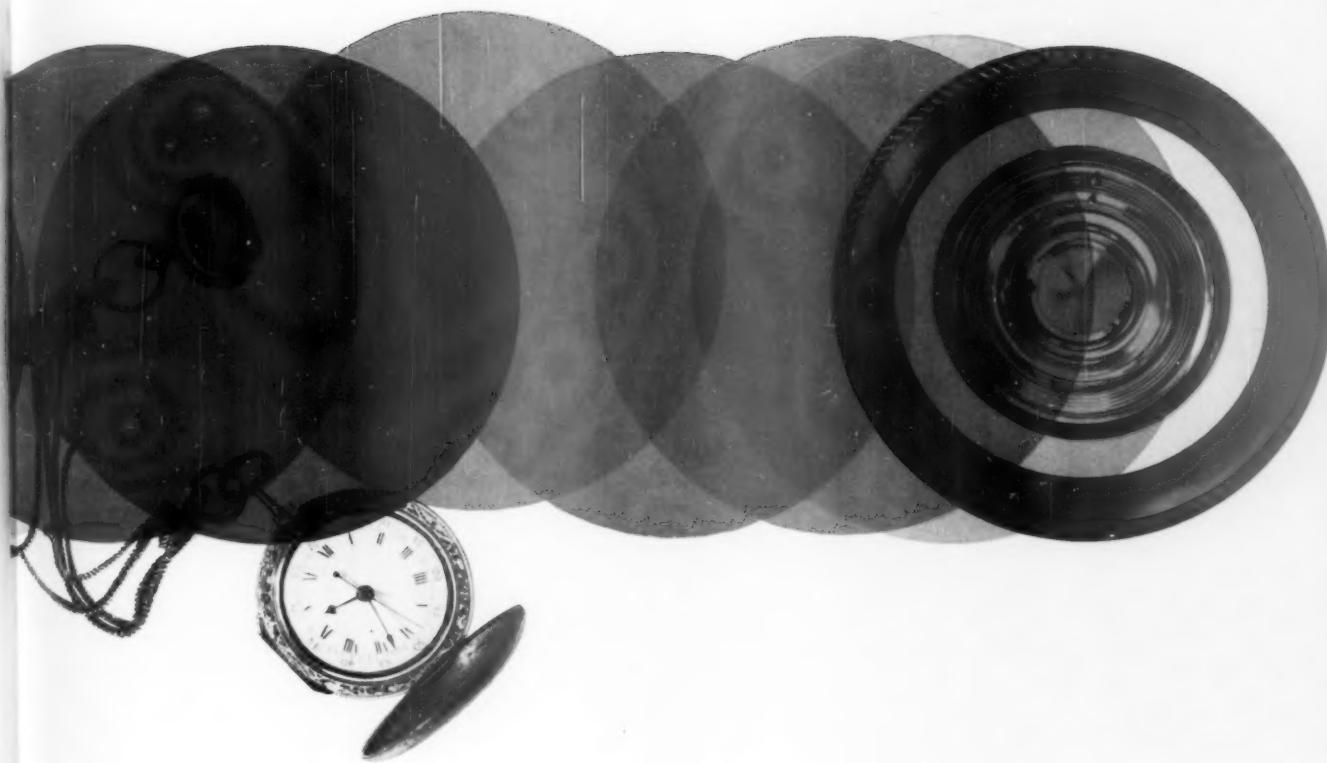
The High Authority is already under heavy attack by West German coal mining interests for turning down their application for a single sales organization. A single state-owned sales organization functions in both France and Belgium.

Brazil Authorizes 10 Foreign Companies To Build Tractor Plants Near Sao Paulo

Brazil has approved the plans of 10 foreign companies for investment in the Latin American country's proposed tractor manufacturing industry.

Altogether, the companies will invest some \$23,637,000 in the next two years. All plants will be built in the Sao Paulo area; output will be 31,000 tractors annually.

The 10 companies, chosen from nearly 20 that presented tractor-making plans to the government, are Ford and Case of the U.S., Massey-Ferguson (Anglo-Canadian), Zetor (Czech), Renault (French), Falmet (Finnish), Fiat (Italian), and Fendt, Hanomag, and Deutz (West Germany).



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Pictured in Republic's computer center are Leon Lelton, Aaron Finerman and Conrad Hipkins.

SPACE TRAFFIC CONTROL

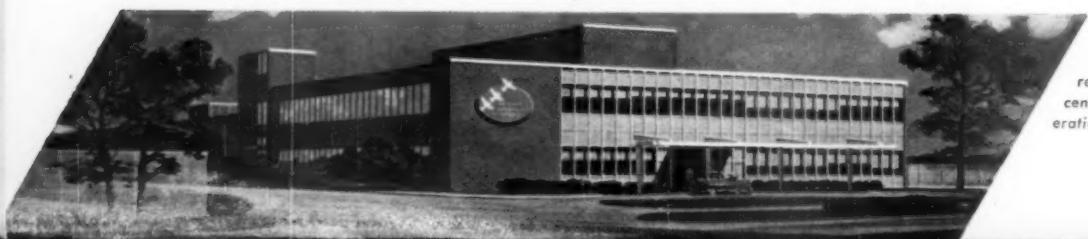
At Republic . . . four new closely related "space/traffic" projects are being vigorously developed. ▷ ▷ ▷

Goals of the projects include the perfecting of space trajectory computation to enable man to pre-determine a satellite's life orbit; developing a means of observing satellites at all times; control over course in orbit, and developing a means of assuring reliable communications for space systems.

To attain these ends, men and electronic computing systems, employing Republic's vast body of scientific data, are seeking to shed new light on the gravitational effects of planets, the braking effect of aerodynamic friction, use of propulsion during space journeys, the earth's imperfect sphere and the weighing and application of information received from the satellites themselves. The findings of these projects may well result in the greatest traffic control system ever known. Today's study and solution of tomorrow's space problems are symbols of Republic's far-seeing contribution to the space world of tomorrow. They are part of Republic's multi-million dollar exploration into the realm of advanced aircraft, missiles and space travel.

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PERSONAL BUSINESS

BUSINESS WEEK
MAY 14, 1960



A BUSINESS WEEK

SERVICE

Are you wondering about health insurance—what with the rash of news out of Washington on medical aid proposals (page 32), and talk about rising costs of Blue Cross and similar plans?

You may want to review the facts on what you can get today in the way of income and health protection—not as a member of a group but as an individual. For the executive and professional, there have been quite a few new developments, especially in the past two or three years.

For instance, protection against loss of income is worth updating:

This kind of insurance (frequently overlooked) pays a monthly benefit, as high as \$1,000, to compensate for loss of salary or professional fees as the result of disability. Generally, it covers an ailment serious enough to keep you away from the office—but you don't have to be hospitalized or even confined to your home. You do, of course, need a doctor's statement.

The disability can be the result not only of any accident or illness, but under some policies, can stem from mental or emotional causes. About the only thing not covered, usually, are pre-existing chronic ailments—for these, you're apt to have to pay an added premium. Physical examinations, incidentally, are usually required.

Most of these policies have "waiting periods," which means they start to pay only after you've been away from the office a certain number of days. For varying rates, you can find waiting periods up to 365 days. Then, you have a choice of benefit duration periods—one year, two years, then five or 10 or 15 years, or simply to age 65. And note this: These are noncancelable contracts, which means the company can't terminate the coverage or change the agreed premium structure.

If you want to go beyond age 65, you can extend coverage to lifetime, for accident only.

Cost depends on your age, amount of benefit you want, waiting period, and benefit duration period. Example: For an executive age 50, waiting period six months, benefit period to age 65, and payment of \$500 a month, the premium ranges from \$470 to \$560 a year. (If you want a payoff up to \$1,000 a month, you have to go to more than one carrier.)

If the cost looks high, consider these points: (1) The benefit payments are taxfree; (2) you can get benefits even though you are also covered by your own firm's salary continuation policy; and (3) in many cases, premiums are waived for the entire period during which benefits are paid. Also, in case of death through accident, some policies pay a lump sum at no extra cost. This may range from \$25,000 to \$50,000.

"Professional overhead expense insurance" is something to look into if you're newly self-employed as a consultant, or have decided to set up shop on your own, as an architect, engineer, realty adviser, etc. Here you get covered on normal office expenses for periods when you're out of action due to accident or illness. Duration: through age 69.

Coverage goes up to \$1,000 a month; waiting period up to 30 days; and benefit period ranges 12 to 18 months. Once again, your age is a cost factor. Here's an example: At age 50, the cost is \$35 to \$40 for each \$100 of monthly benefit for 12 months. Thus, for \$1,000 a month, you pay \$350 to \$400 each year. You have an advantage in that your premium cost is tax-deductible—but note that any benefit payments are treated as (taxable) business income.

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

MAY 14, 1960

Finally, there is individual and family hospital-medical insurance. Most people know what Blue Cross, Blue Shield, and similar carriers offer—on a group and individual basis. What is often ignored is that this kind of protection is sold by conventional insurance companies. They have their point, too.

What it boils down to is this: You pay more with a private carrier than with, say, Blue Cross. But you get something more, usually in three ways: (1) greater freedom to select your hospital; (2) greater flexibility on the type of accommodation—and this may be of special interest if you want a private room; and (3) a wider selection of "plans" to fit your particular needs.

Take this private company example: A man age 50, with a wife 45 and two children under 18, can get \$25 a day for hospital room for a period up to 180 days (per illness of each family member), plus \$800 for surgery and added hospital charges, for roughly \$340 a year. You may want to do some comparing with your present group coverage costs and benefits. You might decide to supplement it.

Go a step further, and consider "major medical" coverage (BW—Nov. 22'58, p135) and you'll just about complete the circle of possible health-and-income protection. Briefly, this kind of insurance covers all types of expenses of any illness or accident, both in and out of the hospital—even your drug-store bill. Generally, the maximum benefit per family member is either \$7,500 or \$10,000 for each separate accident or illness, with the first \$200 to \$1,000 of expense treated as "deductible." Cost for a family of four—the father age 50, the mother 45, with two children under 18—ranges about \$100 to \$200 a year. Continental Casualty (Chicago) has just announced a new plan for people over 65.

A final pointer: Today, "health risks" usually can obtain all types of coverage. Extra premiums may be 5% to 10% above standard.

—•—

Tax refund cases: During the year ending June, 1959, 48.3% of federal refund cases were won by taxpayers and 11.1% were compromised.

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Bird hunters, especially those weary of running into posted land, will want to read John W. Mackay's Good Shooting (Barnes, \$3.95). It outlines a practical program to start your own shooting preserve, telling how to set up and raise the game, with plans and drawings of the physical layout required. Types of shooting are discussed—pheasant, chukor, flighted mallard duck (quail omitted); also dogs—buying, training, finishing; how to conduct the shoot, cure the game—even cooking recipes are given.

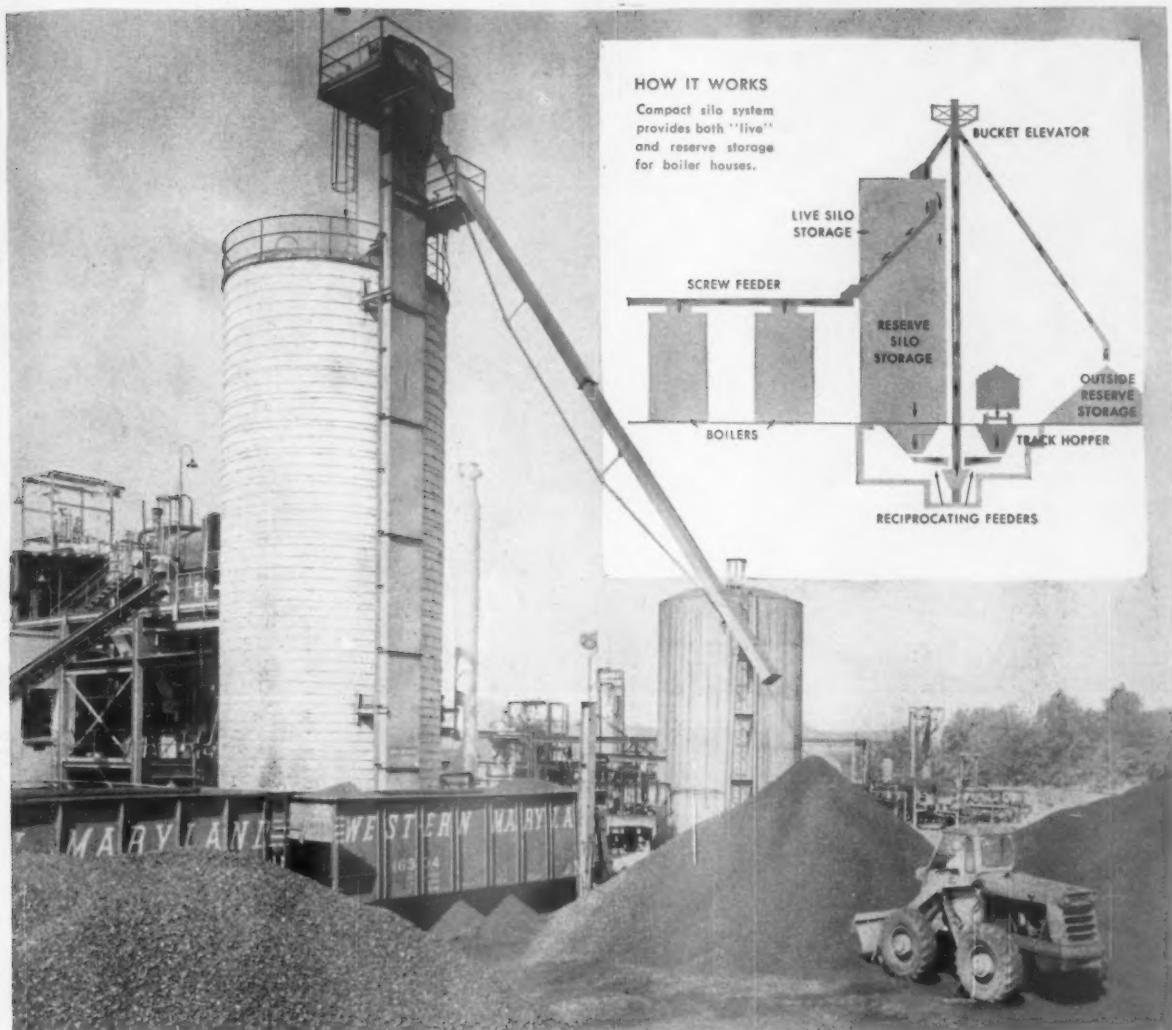
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For executives-on-the-go, Remington has come up with a small, multiple-head rechargeable electric shaver that permits cordless shaving. Called the Lektronic, it can store up enough energy for three weeks of shaving (\$36).

—•—

Travel time: Rome Olympic officials say transportation and accommodations (including furnished apartments) are still available (BW—Apr. 23'60, p142) . . . The 1961 Great World Cruise of Cunard's *Coronia* starts from New York Jan. 28—95 days, 30,000 miles, 19 ports in 15 countries; rates begin at \$2,875 . . . A new service, Visa Center, will process your visa applications (507 Fifth Ave., New York 17; fee, \$4).

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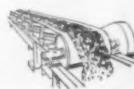
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HATS ARE BADGES of girls from Oklahoma (top left), Kansas (top right), Louisiana (lower left), and New York (showgirl top hats for members from New York City area).

Miami

Cities in the area join hotels in promoting convention business, to soak up space left vacant by tourists.

When these girls were photographed in Miami Beach recently during the convention of the National Assn. of Student Nurses, they probably didn't stop to think or inquire whether their frolicking had any economic meaning. But if they had, they would have learned it did: They were ushering in the late-spring convention season in the nation's newest big convention center.

Last week, they were followed by the American Nurses Assn. In the next few months, there will be other large groups such as the Southern Baptist Convention, Rotary International, American Medical Assn., Kiwanis International, Watch Tower Bible & Tract Society, and the American Legion.

Not all will draw as many people as the Legion, which is said to bring in 40,000 or more, and not all will spend as freely as the doctors, but before 1960 is out, the Miami area figures it will have had 500,000 conventioners, who will have left \$80-million behind.

• **Growing Share**—Out of the 10-mil-



EAGER TO SPEND, and many delegates do leave money behind with local merchants, student nurses gaze into window of exclusive women's dress shop on Lincoln Road.

CONVENTION HALL lobby in Miami Beach is crammed with delegates registering for meeting of National Assn. of Student Nurses.

Miami Goes After the Convention Trade

lion people who go to national, regional, and state conventions each year and spend \$1.2-billion while doing so, the Miami area's share is far from dominant. But its share is growing fast.

Almost overnight, Greater Miami has become one of the top four centers for conventions of business, professional, labor, service, and religious groups—as well as sales meetings for corporations. As recently as 1958, the area pulled only an estimated 150,000 people for conventions—and that includes wives, speakers, and exhibitors as well as delegates.

Since then, the group of cities made up of Miami, Miami Beach, and Bal Harbour has moved up into the same league as the convention leaders: Chicago, New York, and Atlantic City. It's unfair to quote figures in comparing cities because their basis—if not their reliability—is not uniform. But among people who make the rounds, there is no doubt that these four areas stand head and shoulders over a dozen others.

• **Winter Holdown**—“If the Miami area threw the business wide open and took conventions on a large scale in winter, they'd pass every other city on price alone,” says J. S. Turner, secretary-treasurer of the International Assn. of Convention Bureaus.

Up to now, the Miami resort hotels have set aside only about 35% of their rooms for conventions during the height of the winter season—when they do their most profitable tourist business. They have pushed for convention business particularly in spring and fall, when tourist business goes down and when more groups hold conventions anyway.

The resort hotels see a growing need for convention business to fill the rooms that have been built during the construction binge of recent years. So they have worked convention business up to 25% of the area's total 2-million visitors a year. They have entertained conventions for years, but until recently they haven't made such a concerted effort to get them.

I. Change of Heart

If the Miami area has been so successful in attracting conventions lately, one well may ask: Why didn't it go after conventions in a big way much sooner? The answers are simple:

- The hotels didn't want the business. So long as they could get more from tourists, conventions held little appeal.
- They would have been handi-

capped even if they had wanted it. First, Miami is geographically remote from the most populous areas of the U.S. Second, groups that hold conventions book sites several years ahead, and they tend to stick to the same cities, year after year. (In 20 years, the American Medical Assn. hadn't budged from a New York-Chicago-Atlantic City-San Francisco pattern.) Third, the Miami area had no place that could seat huge groups or accommodate exhibits.

During the last couple of years, however, much of this has changed.

• **Bad Winter**—It took the severe winter and the recession of 1957-58 to change the hotels' attitudes. As a number of smaller places went bankrupt, helping to arouse fears of a total bust, operators of larger ones looked at their empty \$40 rooms and figured \$20 a day would have been better than nothing.

Even a few months before the downturn, the new Americana saw after a merely “good” first season that it had to go after conventions. It found its location at Bal Harbour—five miles north of Miami Beach—to be a disadvantage. And builders of the Deauville in Miami Beach at about the same time sensed the prospect of overcapacity.

• **Bigger Halls**—The shortage of con-

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vention facilities began to be overcome when the Americana began in May, 1957, to build an auditorium seating 5,000. Until then, the largest in the area could handle only 2,500. (When the Legion met in the area in 1948 and the American Dental Assn. in 1955, they had to hold their sessions in a drafty seaplane hangar.) The Deauville opened in December, 1957, as a convention hotel, having worked convention rooms into its original plans.

Last year, the Fontainebleau built a 5,500-seat auditorium, in an ambitious expansion program that also raised its capacity to 1,000 rooms—the area's largest. The city of Miami Beach built a 15,000-seat convention hall.

While the hotels and cities stepped up construction and promotion to cut in on the business of other U. S. convention areas, the airlines stepped in to minimize Miami's remoteness. More lines began to serve Miami and both old and new ones stepped up the frequency of service, improved connections with other cities, and cut flying time by putting jets on the runs.

II. Competitive Business

With new attitudes and facilities, the Miami area cracked the convention business in a big way. It competed with other U. S. cities for the many groups that meet somewhere every year, and its own hotels and constituent cities began to compete with one another.

The competition is keen. To land a big convention takes a lot of time and money. A hotel starts with a list of upcoming conventions and the names of people who make decisions, and when. Then it must engage in months of bird-dogging with the executive secretary or site committee chairman.

• Suspense—For example, Robert F. Whelan, sales director of the Americana, hung on a cliff for nine months until in late March he signed the American Pharmaceutical Assn. for a 1963 convention. During those nine months, Whelan and his Washington office kept in touch with APA officials by mail and phone. When APA officials came down to look over the Americana and its competitors, they got "the royal treatment." But, all the time, Whelan knew no decision was final until the APA board met in Washington in March. He flew up to plant himself outside the door and that, he thinks, clinched the deal for the Americana.

• Big Budgets—Such dogged pursuit costs money. The Americana, with its convention staff of more than 30 and its offices in other cities, spends \$300,000 a year. The Fontainebleau spends \$250,000. The Miami Beach convention bureau this year is raising its budget for director Tom Smith and 14 solicitors from \$120,000 to \$160,000; Smith

and his aides will travel 100,000 miles. Among the major hotels, only the Deauville has no traveling salesmen—it uses the long-distance telephone to make its pitch—yet manages to spend \$150,000.

In these campaigns, additional thousands are spent—or simply not collected—for the concessions that the hotels feel they must make. Samples:

- Before the convention, free room and board to association secretaries who want to look the hotels over.
- During the convention, free suites and cars for officials, a cocktail party, poolside chaise longues and banquet entertainment for everybody.
- **Cut Rates**—Hotels may go so far as to cut room rates. Hotels such as the Americana and the Fontainebleau charge conventions \$30 during the height of the winter season for rooms that cost ordinary tourists \$37. In summer, they get \$18 from convention delegates for \$24 rooms. A hotel that's hot after a convention may cut its rates even more.

The American Bankers Assn. or Investment Bankers Assn. are cited as typical of groups that don't bargain on price and simply want elegant service, but secretaries of many other associations have become adept at playing off one hotel against another.

One hotelman tells of a fraternity's executive director who came down to examine all the hotels: "He went home, tallied up all the different giveaways offered by each hotel, and sent out a letter with the list, asking which hotel would come up with the most. Obviously, one of them got the convention."

III. Maybe Too Competitive?

If hotelmen have any second thoughts about the convention business by now, they revolve around this expensive competition.

Even the good winter season they have just come through—a far cry from 1957-58—convinced them that they must have conventions. The sun may have been shining this year, but competition from other winter vacation resorts has cut into Miami's strictly resort business at a time when its hotels have gone through a fantastic wave of room construction. Those that provided for conventions had a cushion. But there are persistent reports of others likely to go under.

"No hotel can expect to show maximum occupancy and financial return in today's market without extensive group and convention business," says Preston R. Tisch, president of the Americana. He estimates this business accounts for 75% of his \$15-million gross.

• Costly Backlog—Even in their best winter months, February and March, the big hotels set as many as 35% of their rooms aside for conventions. Un-



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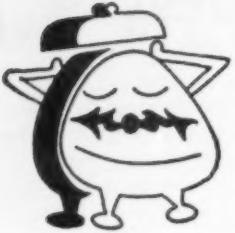
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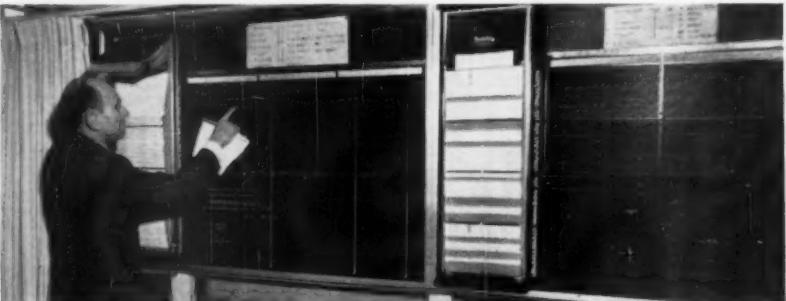


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willing to put so much trust in the weather nowadays, Tisch sees conventions as "money in the bank."

But in view of the rate-cutting and the out-of-pocket expenses for promotion and concessions, hotelmen are wondering how much more they must pay for that "money in the bank."

"We all have fixed costs," adds Irving Tillis, sales director for the Diplomat. "It's better to run empty than give your hotel away at less than cost."

• **Nobody Started It**—Of course, nobody admits responsibility for the rate-cutting. The Americana's Whelan is one of those who accuse the Deauville of "giving the business away." But Richard H. Elterman, the Deauville's sales director, replies simply, "We never knock hotels." Glowing over having booked 164 conventions this year—more than any other hotel—he credits the Deauville's central location.

The Americana and Fontainebleau say that, with their prestige, they don't need to cut rates.

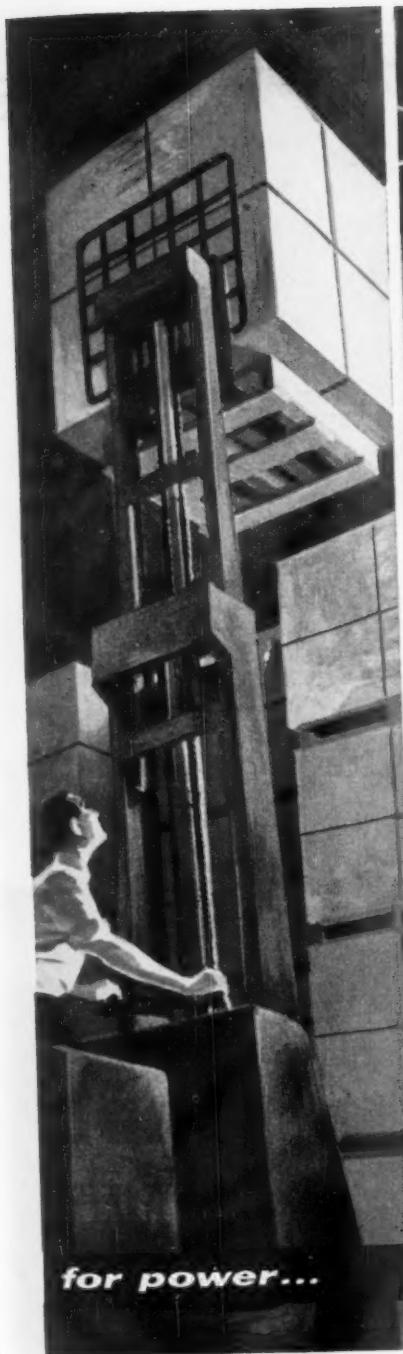
The hotels that aren't cutting rates say they want repeat business. To get it, they say they pay attention to the smallest details—instead of cutting staff as some others have had to do, to compensate for lower rates. "They're giving poor service and poor food, and they're tacking on surcharges for chaise longues and ice water," says one.

• **Civic War**—The muttering and name-calling among the hotelmen has parallel among the convention bureaus of the cities, whose other businesses want a share of that \$80-million.

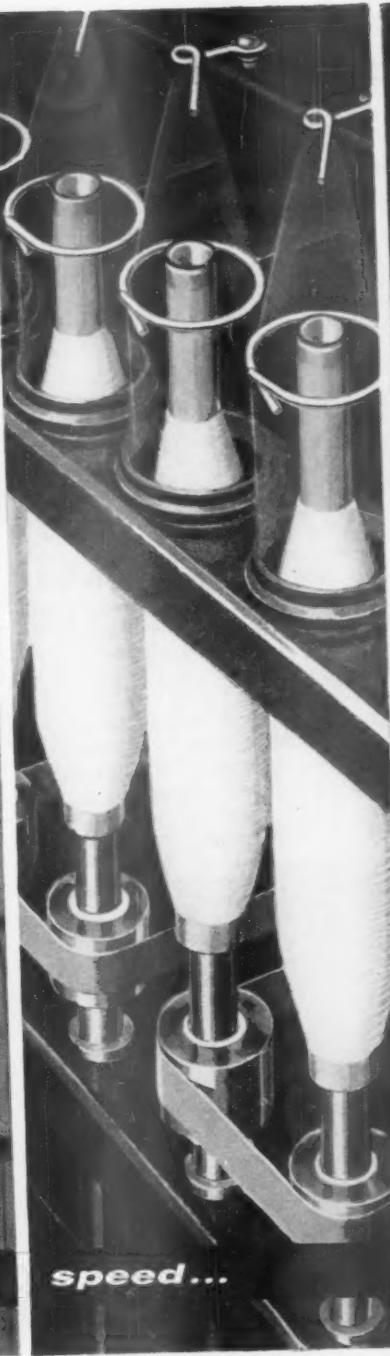
For example, Smith of the Miami Beach convention bureau is sore at the Americana because it claims to be a "Bal Harbour-Miami Beach hotel." He says it's trying to pass as being in Miami Beach when actually it's in Bal Harbour, five miles north of the Miami Beach border. Tisch shrugs off the gripe, saying something about this being a free country. But Miami Beach hotels keep the heat on Smith.

They finance Smith's bureau with a 5% cut from all rooms sold for conventions. So they feel they are entitled to an accounting when, it seems, Miami Beach's promotion effort wins a convention to the area—only to have it slip up to the Americana in Bal Harbour.

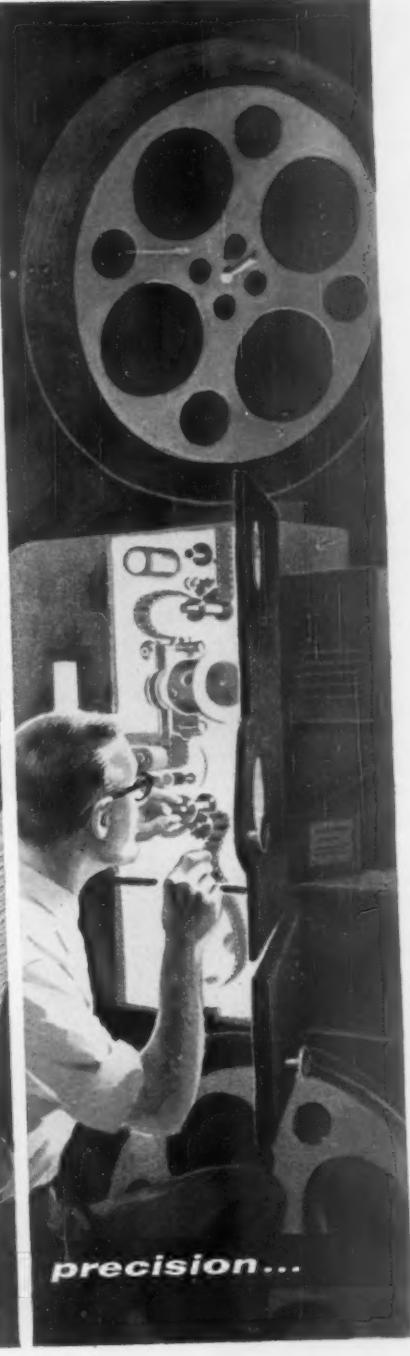
The city of Miami, in turn, takes pot-shots at Miami Beach. Miami is handicapped because its hotels are older and smaller than those on the beach and because its Bayfront Park Auditorium can seat only 2,500. However, Larry Mansfield, the city's convention director, cracks: "There are too many distractions in Miami Beach. The city is better for business sessions. National conventions will be criticized for going to a strictly resort city. Miami is more compact, has more stores for shopping, gives better service." **END**



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COMPANIES

How Art of Managing

With its unorthodox organizing methods, Aerojet-General carves out steadily expanding spot in defense industry.

When scientists doing infrared research in the Avionics Div. of Aerojet-General Corp. of Azusa, Calif., developed a new device for a gunsight, they set out to find their own market. The scientists themselves trotted over to Burbank and sold the new device, which made the gunsight work at night as well as by day, to Lockheed Aircraft Corp. Now Aerojet makes the device for inclusion on the gunsights of all of Lockheed's F-104 fighters.

Such a do-it-yourself procedure might raise eyebrows in high places in some companies, but at Aerojet it's only what Pres. Dan A. Kimball (cover, and pictures) and his top management expect. It's one of the somewhat unorthodox ways by which they have carved out for Aerojet a steadily expanding spot in the defense industry, and by which they aim to keep it ahead of the game in that industry's shifting fortunes.

So far, their methods have covered Aerojet's books with some highly or-

thodox figures, and have made its name, at least, a recurring item in defense news of the advancing missile age:

- Last year Aerojet's sales hit \$364-million, a 67% gain over the previous year, and eight times the 1953 figure. This year, conservative management estimates peg sales at \$425-million, but already they are running closer to a \$500-million annual rate.

- Net profits in 1959 rang up a 36% gain, to \$8.2-million. What's more significant, Aerojet's net came to 2% of sales—not a world-stirring figure, perhaps, but double the 1959 average for the 12 largest aircraft manufacturers, which make up the bulk of the defense industry.

- Known chiefly for its solid and liquid-fueled rocket engines, Aerojet is today the largest rocket engine maker in the U.S., and is probably active on more different missile and space projects than any other manufacturer. It builds the complete two-stage propulsion system for the liquid-fueled Titan ICBM, and the entire two-stage solid fuel power plant for the undersea-fired Polaris, and is active in developing the solid-fuel Minuteman.

- Organization and Technology—As



TOP MANAGEMENT of Aerojet is veteran trio—Pres. Kimball (left, back to camera); and at right, Vice-Pres. and General Manager

W. E. Zisch and Executive Vice-Pres. A. H. Rude. They're talking with directors L. A. McQueen and M. G. O'Neil.

ng Scientists Builds Aerojet Profits

technology grows more complex, business management—in defense industry especially, but in other industries, too—has run up against the problem of integrating scientific and technical personnel, with their more individualistic ways, into business organizations. Sometimes their efforts have met with success, sometimes with an explosion.

Aerojet-General, which from the beginning set itself deliberately to organize for the new technological age, has solved this problem in its own way. Its solution has given it a sprawling organization chart that might bring frowns in some management circles, and a setup unusual in other respects. Aside from the informal structure, Aerojet's solution has three main supports:

- A firm policy of promotion from within, to give its technical people (more than one-fifth of its 24,000 employees, with a veritable university of 255 Ph.D.'s) an assured career—and keep them on the payroll.

- A free rein to each division to develop and exploit its own ideas—as the infrared group did.

- A built-in consulting team of four roving vice-presidents, who have no day-to-day line assignments but are

free to move in on divisions, or on projects, to get an operation spinning along smoothly—as two of them, for example, were detached a year ago to work on the Polaris missile.

This specially tailored setup, Pres. Kimball and his aides insist, promotes a steady flow of profitable new ideas, and leads Aerojet toward its goal of "developing new projects before the military knows it needs them."

- **New Directions**—They rely on it to keep Aerojet's sales and earnings mounting as it moves in new directions with the new decade—more and more into making complete packages rather than just the propulsion, and more and more into commercial products.

I. Child of the Rocket Age

Aerojet-General was born and grew up with the rocket age. All its life it seems to have been preparing itself for the technological era its leaders see opening up in the 1960s. They look for an era in which defense companies will need broad diversification and extensive research and development in new fields. For even if military spending maintains its pace, fewer and fewer

weapons systems, and fewer and fewer copies of anything, are being ordered (BW—May 16 '59, p84). Companies will have to be quick on their feet to get ahead—or even to hold their place.

Research in new fields has been Aerojet's strong point. All along, it has been short on production, long on research. Even today, at least 75% of its sales are in research.

- **Jet-Assisted Start**—The nucleus of Aerojet was founded in 1939 under guidance of Dr. Theodore von Karman, an aerodynamicist, and several graduates of California Institute of Technology. At the request of the Army Air Corps, they undertook development of a lightweight, high-thrust power plant—the famous JATO's or jet-assisted take-off units. War brought a demand for a commercial source of supply for these, and Aerojet Engineering Corp. was organized in Pasadena in 1942.

Rapid expansion brought a need for additional financing, and in 1944 the General Tire & Rubber Co. of Akron bought controlling interest (it still owns something over 82% of the stock). This backing made Aerojet's broad research possible; and its JATO background made it logical for it to go into building



ROVING vice-presidents, technical men, help keep projects moving; Vice-Pres. A. L. Antonio (center) tackles liquid fuel problem with award-winning scientists Ernest R. Roberts and Karl Klager.

TWO ROVING vice-presidents, K. F. Mundt (left) and B. L. Dorman (center) work on plans for Air Force rocket test stand with Actron Div. manager, Benjamin F. Rose, Jr.

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ANTI-SUB expert Calvin Gongwer: "Invent it before military knows it needs it."

rocket motors after the war. Since few companies knew much about rocket technology then, Aerojet also designed and built test stands and testing equipment.

In 1953, the company was reorganized as Aerojet-General Corp. under its present ruling trio—with Kimball, a former Secretary of the Navy as well as former Aerojet executive vice-president, as president, Arthur H. Rude as executive vice-president, and William E. Zisch (with the company since 1942) as vice-president and general manager. Dr. Karman remained as chairman of the Technical Advisory Board and chief consultant, positions he still holds.

• **Upward Curve**—Since then, Aerojet's sales and earnings have been on a steady upward climb. Sales rose from \$10-million in 1950 to \$46-million in 1953, more than tripled to \$161-million in 1957, doubled again to \$364-million last year. Net earnings hit \$6-million in 1958, \$8.2-million for the year ended Nov. 30, 1959. Sales are still mainly in rockets—54% in solid-fueled rocket engines, 26% in liquid-fueled.

Like other missile makers, Aerojet is looking ahead to the more powerful rockets that will be needed for advanced missiles and the conquest of space. It has succeeded in firing an engine using liquid hydrogen and liquid oxygen at thrust levels in excess of 100,000 lb. It has invested \$250,000 on development of a solid fuel engine capable of 1-million lb. of thrust, and is competing with five other companies for an Air Force preliminary contract (BW—Feb. 20 '60, p. 59).

Aerojet scientists have successfully fired a large solid rocket based on one of the more promising approaches to the million-pounder—the segmented rocket idea, on which other companies are also working. This involves casting

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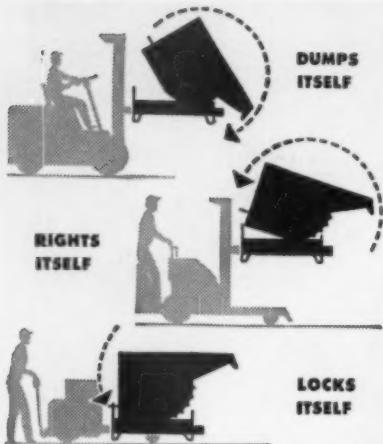


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METALLURGIST E. R. Mertz: "A successful test is worth a thousand theories."

the rocket motor in separate sections which are later hooked together. Aerojet is active, too, in hybrid rockets combining liquid and solid propellants, and in engines using storable liquid propellants.

II. Hothouse for New Ideas

Like many companies, particularly in defense, Aerojet has shifted make-up and direction as chance and opportunity dictated. Yet, fundamentally, it has hewed closely to the basic lines worked out early in its life by its founder, Dr. Karman, and its top trio—and that may well be the secret of its climb.

Its top men hit on three main guidelines for its growth:

- After World War II, when missiles were first edging their way into the defense arsenal, Kimball and Rude and Zisch decided to specialize in making the rocket engines for everybody's missiles, instead of trying to build a complete missile. They felt it was better to become an expert in the building blocks of the space age than to tackle the whole job.

- They decided to concentrate on missiles and rocket technology while other defense companies were still heavily involved in aircraft.

- Because Aerojet had grown straight out of the California Institute of Technology, they decided the company should be strongly based in science. They began to hire large numbers of chemists, physicists, and scientists in other lines, as well as engineers. And most important of all, they set about to develop an atmosphere and environment where these scientists and engineers would feel at home, and where they were encouraged to think about new ideas and to exploit them.

- **Torrent**—In the new defense era, the

careful development of marketable new ideas is more important by several magnitudes than is the development of new products in a company that turns out thousands of identical items day after day. Aerojet encourages its scientific minds to wander afield because of its basic creed that it just can't wait for the bids to be opened in its established field, but must get there first with the new idea.

It thinks the results of this scientific meandering are worth it. Says Kimball, "While our competition was still making fancy proposals on a segmented rocket, we actually produced one, proved it, and shipped it for about \$80,000 total cost."

Out of the Azusa plant and other Aerojet facilities in recent years have come a torrent of new ideas—not only in defense. Just a few examples:

- A transportable oxygen generator for hospital and industrial use (BW-Feb. 27 '60, p61).

- A miniature submarine for use by divers and frogmen.

- A portable back-pack containing rocket lifting devices for individual infantrymen.

- Portable nuclear reactors to train students, and the first mobile nuclear power plant.

- An automatic parcel-sorting system for the Post Office.

- An advanced torpedo; a novel propulsion device called the hydro-rocket; and a silent valve that eliminates tell-tale noises in a submarine.

- A fuel cell capable of converting thermal, nuclear, and solar energy to electrical energy.

- A half dozen structural plastics.

Together, these developments don't make up a very large percentage of sales today. But in five to seven years, Zisch expects these and other new ideas to make up a substantial amount, perhaps as much as rocket engines.

III. Specially Engineered

It's to produce this steady stream of new ideas and keep ahead of the game on defense needs that Aerojet designed its specially engineered organizational mechanism. The basic aim of the whole setup is to encourage the company's engineers and scientists to think about new ideas, then give them the right to exploit these ideas themselves, as the infrared group did its gunsight device. The result, Aerojet's top scientists and engineers insist, is to give the company a special character; at any rate, the scientists and the non-technical top management tend to throw compliments at each other instead of brickbats, as is sometimes the case in such relationships.

Though the organization chart may appear somewhat sprawling, with a



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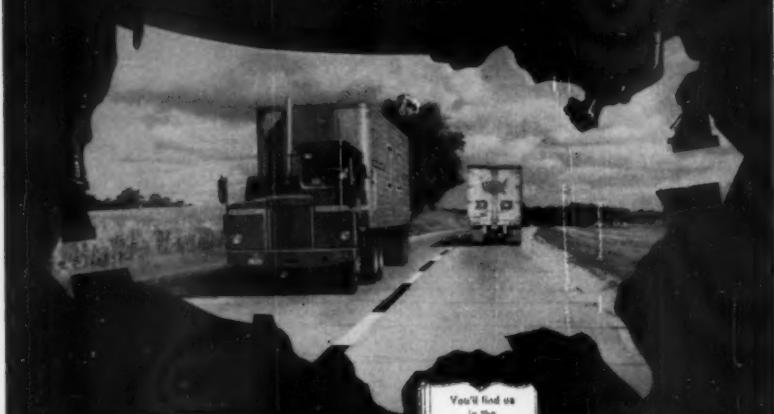
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PHYSICIST Y. C. Lee is ready to push Aerojet-General farther into space.

dozen vice-presidents heading divisions or plants reporting to top management through Zisch, this loose structure puts the key management of divisions in men with technical competence, and its scientists and technical people report to technical people.

• **Home-Grown Leadership**—Even a technologically based company with a scientific bent can suffer growing pains. And Aerojet's employment has grown almost tenfold since 1953—from 2,500 that year to 24,000. Aerojet surmounted this hurdle with its second organizational principle—promotion from within—a condition that's somewhat unusual in the defense industry, where there is much moving around from company to company on technical levels, as men try to find an opportunity to use their talents to the best of their ability.

This was Aerojet's policy from the beginning, and as a result, there hasn't been much movement among scientists and engineers at Aerojet; and hardly any talent had to be brought in from outside to fill top jobs and fuel Aerojet's growth. Only the top corporate management, plus such obvious jobs as secretary, treasurer, and legal counsel are non-technical. At Aerojet, says Zisch, "We have always put the emphasis on the man who knows."

• **Laissez Faire**—In practice, as well as on the organization chart, Aerojet's ideas of management tend to the laissez faire philosophy. Divisions—each handling a specialty such as solid rockets or liquid rockets or structural plastics or test facilities—operate like independent little companies. Any division, or group, with an idea it thinks salable is free to hop off to Washington, or the Air Materiel Command at Dayton, or another manufacturer.

There is, in fact, no sales group at Aerojet corporate level. The applica-

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tions engineers in the various divisions do the original contact work, and seek out customers for their ideas. In this highly technical field, of course, "selling" really means that technical people explain to other technical people what a new development can do.

But, as Vice-Pres. J. S. Warfel, in charge of the Avionics Div., explains this divisional autonomy, "Any group with an idea is allowed to promote it. There are few restrictions on where we can go to sell it. If the group sells the idea, they get the facilities to produce. And they are in charge; it's their baby."

• **Roving Consultants**—They also get the help of Aerojet's team of four roving vice-presidents, who act as expert consultants on a job, then move on to another. The idea itself may not be novel; but at Aerojet it works out differently because the roving vice-president has had experience in the line.

The four men are Adolph L. Antonio, vice-president, Chemical Div.; B. L. Dorman, vice-president, test engineering; K. F. Mundt, vice-president, manufacturing; and Chandler C. Ross, vice-president, engineering.

Their titles may seem to imply responsibilities in conflict with the whole idea of roving expertise. Partly these titles are just for the books. Partly they do involve responsibility for corporate staff direction of one part of the operation. But under the Aerojet philosophy of maximum responsibility down the line, day-to-day operational responsibility falls on the managers under them, leaving them free for special tasks.

Antonio, for example, has responsibility for corporate staff direction of all chemical activities. But the operations at Azusa, San Ramon, and Sacramento do a pretty good job of running their own shows. This has permitted Antonio to head up the solid rocket development program for the Minuteman missile—and he has been spending most of his time at that for the past six months. Ross has been spending four days a week at San Ramon on the gas-cooled reactor program.

IV. Checks and Balances

Of course, too loose a grip on the reins can lead to problems, too; but on balance none of the dislocations last long. It's true, though, Aerojet's first technical employee, David A. Young, did leave in 1957, when he was head of Special Projects and the Nuclear Div., because he thought the company was getting "too confused" and was "trying to go in too many directions at once."

As the company has expanded, it has had to tighten things up a bit—though with as little regimentation as possible, and with an almost tender regard for the individual.

Young, for example, came back to Aerojet last August—to set up a corporate long-range planning division to sort out the things Aerojet should do and watch for fields it should get into.

• **Built-In Balance**—The very system of individual and divisional autonomy has a sort of built-in balance to prevent pouring out money in unfruitful directions while still allowing a free rein for ideas. Kimball points out that when a man who is dreaming up an idea has to sell it to someone, to persuade someone to buy it or put up money to develop it, the idea is likely to be well thought out.

Kimball adds, "We've become pretty good at figuring out what it should cost to get an answer to a problem, and how much an answer is worth—that is, how much it will cost to run experiments to prove an idea."

• **Chart**—The organizational chart has undergone a bit more centralizing. William L. Rogers has been made vice-president for the Azusa plant, and activities formerly reporting to several corporate officers will now report to him. William C. House has been made director of systems management, to coordinate the Systems Div. and Space Technology Div. But the aim in both cases is not so much central control as freeing people in the divisions to think.

V. Branching Out

House's assignment points up the direction in which Aerojet is now moving—more and more into advanced projects such as satellites, and more and more into making complete packages—propulsion plus the vehicle, and in some cases part of the guidance and electronics. An outstanding example of the latter is the Able Phase II, second-stage vehicle made for use in the Thor-Able upper atmosphere research programs. Aerojet supplies the liquid-fuel second stage and plays a role in assembling the complete package of the satellite launching vehicle.

In this approach, Aerojet is meeting the aircraft manufacturers coming from the other direction. They started with complete flying vehicles, now are developing the components themselves.

The company's Technical Advisory Board has also recommended action in the commercial field. Zisch says this is not motivated by any fear of disarmament—though the effect of nuclear disarmament is a priority project of the long-range planning board. Generally, Aerojet takes the view that nuclear disarmament would not mean a sudden and serious end to military business—it would require technical people skilled in detecting violations, would make conventional arms more of a factor, would free money for space exploration. For all of these, Aerojet feels ready. **END**

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The Realities of Cold War

The capture of an American reconnaissance flyer deep inside Russia has reawakened this country to the grim realities of the East-West struggle. It is as if a window suddenly had been opened on the kind of world in which we live, with all its ugly dangers and its desperate need for some kind of detente between East and West. To this extent the U-2 incident may have a salutary effect.

Certainly it is a fortunate thing that the nation quickly recovered from its initial reaction to this incident. For a day or two we seemed to be almost suffocated with guilt. Whatever may be said about official negligence in not putting a pre-summit moratorium on such reconnaissance flights, no realistic person can question the need for somehow probing Soviet military capabilities and keeping a watch against surprise attack. We would have short memories indeed if we had forgotten Pearl Harbor so soon.

Secy. of State Herter put the U-2 incident in its proper perspective in the firm but restrained statement he issued on Monday. There are two facts, Herter suggested, that neither we nor our allies should forget:

- Ever since Stalin launched the cold war in 1946 the non-Communist world has had to live in "a state of apprehension with respect to Soviet intentions." In the past several years, with the development of ever more destructive weapons, the threat of surprise attack has presented a constant danger.

- Ours is an open society, in which Soviet intelligence agents can, and do, gather military information hour by hour. By contrast, Soviet society is so tightly closed that the U. S. is obliged "to gather by every possible means the information required to protect the United States and the free world against surprise attack."

It is unfortunate, of course, that Nikita Khrushchev has been able to use the U-2 incident to strengthen his hand for the summit. The Soviet Premier is now in a better position to play his cards so that, in the eyes of the world, the onus for a summit failure would fall on the U. S. It would be surprising if he did not attempt to use this "prepared onus" to pressure the West into a Berlin settlement that would seriously damage our interests.

However, it has been clear for some time that Khrushchev would try, by some means or another, to maneuver himself into this position. For the Soviet leader, such tactics are merely part of the game of "peaceful co-existence." It is time we accepted this fact. Khrushchev has never made any

bones about his intention to have co-existence on his own terms.

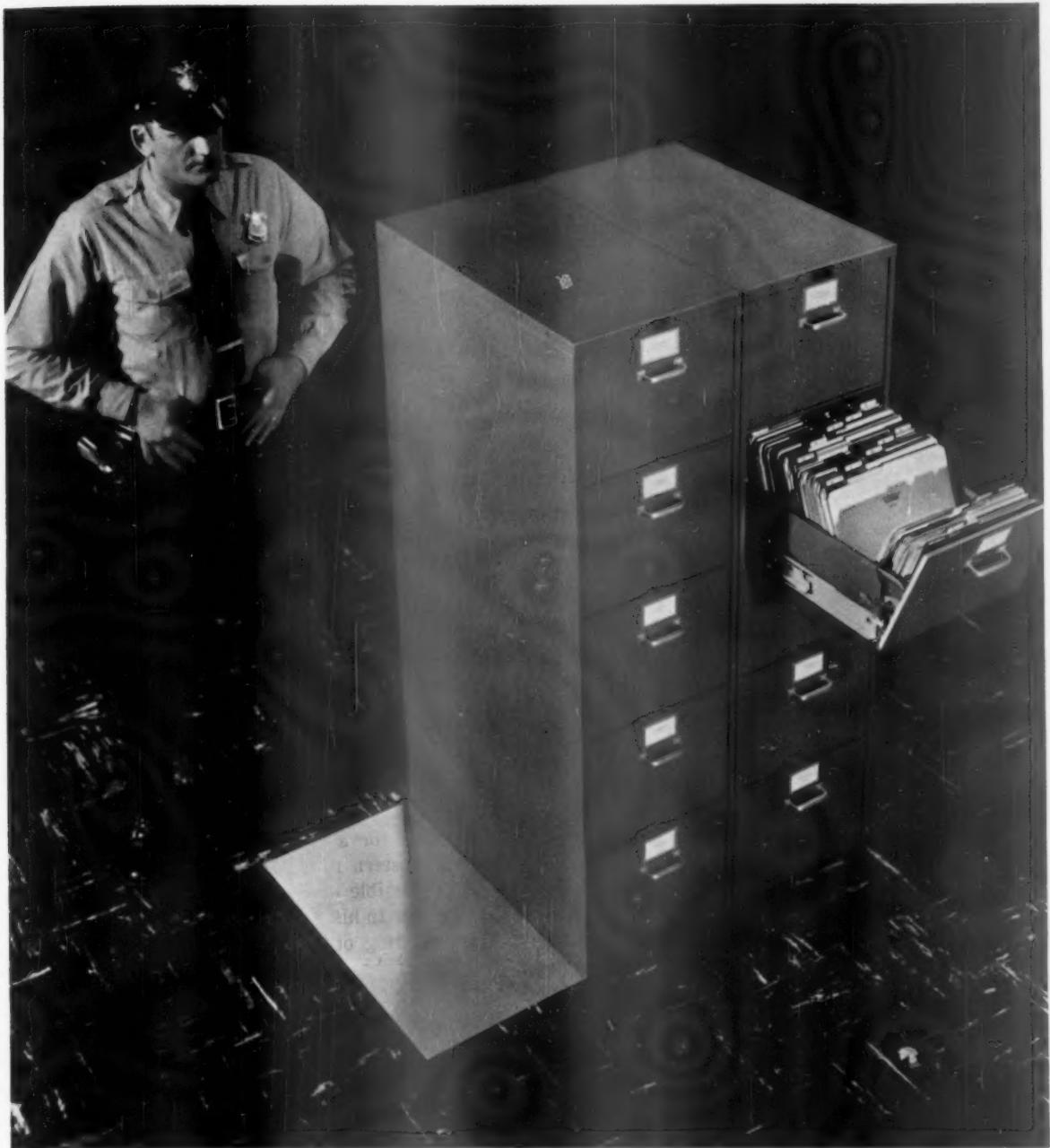
Our basic problem in dealing with Moscow has not been changed any by what has just happened. Khrushchev clearly wants to have his cake, and eat it, too. Obviously, he would like to maintain his co-existence policy. It has been paying off in less tension between East and West, by giving him a freer hand to penetrate the uncommitted countries, and by reducing the pressure to increase greatly Soviet arms expenditure. At the same time, Khrushchev seems to think he can use the strengthened power position that he has acquired from his nuclear missiles to liquidate the Western position in Berlin.

From Khrushchev's angle, there is nothing incompatible about these two goals. In terms of Western interests, there certainly is. It would be folly for us to give any real ground in Berlin under Soviet pressure, and then go on with the cultural and political exchanges of the past two years as if nothing had happened. Rather than do this, we should be prepared to face the cold war again.

Stiffening Purpose

If Pres. Eisenhower, Prime Minister Macmillan, and Pres. de Gaulle make this clear to Khrushchev at the summit, it may be possible that Khrushchev will settle for a new arrangement in Berlin that leaves Western rights basically intact. Perhaps it will be possible also to clear the ground for a test ban treaty. In his Monday statement, Herter seemed to be holding out the hope that even more than this might be achieved in the area of disarmament, in part as a result of the U-2 incident. "Far from being damaging to the forthcoming meeting in Paris," he said, "this incident should serve to underline the importance to the world of an earnest attempt there to achieve agreed and effective safeguards against surprise attack and aggression."

But, regardless of what happens at the summit, we cannot afford to indulge in wishful thinking about Moscow's ambitions. The Soviet goal is to take over our leading role in the world. And there can be no doubt about Moscow's intention, even if some progress is made on disarmament, to wage the bitterest kind of economic and political warfare to achieve its ambition. We must be constantly alert, therefore, to prevent any further change of the power balance in Moscow's favor. If this requires a stiffening of our national purpose and a rededication to the cause of freedom, the American people will not hesitate, we are sure.



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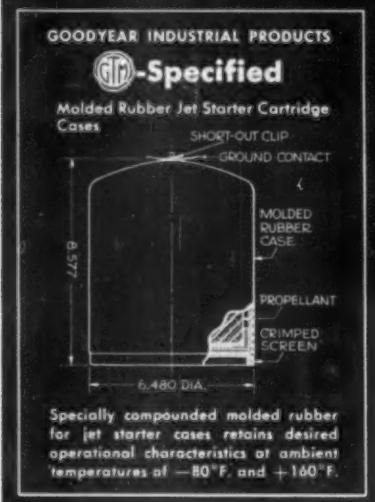
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